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Supreme Court, U.S.
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Supreme Court of the United States

ABLE TIME, INC.,
Petitioner,

v.

UNITED STATES OF AMERICA,
Respondent.

ON PETITION FOR WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

PETITION FOR WRIT OF CERTIORARI

BRUCE N. SHULMAN
Counsel of Record
ELON A. POLLACK

STEIN SHOSTAK SHOSTAK POLLACK & O'HARA, LLP

865 South Figueroa Street, Suite 1388
Los Angeles, California 90017
(213) 630-8888

Attorneys for Petitioner
ABLE TIME, INC.

QUESTIONS PRESENTED

1. Does the Ninth Circuit's definition of "counterfeit" contravene Supreme Court precedent and the canons of statutory construction by failing to give effect to every word of 19 U.S.C. §1526 (2006) and 15 U.S.C. §1127, including the word, "mark?"
2. By holding that 15 U.S.C. §1127 separates trademarks from the class of goods and services in which they are registered, does the Ninth Circuit's decision conflict with *Montres Rolex, S.A. v. Snyder*, 718 F.2d 524 (2d Cir. 1983), and the entire body of federal trademark jurisprudence?
3. Does the Ninth Circuit's decision create separate trademark law for imports versus domestic goods, the consequences of which will trouble federal courts and agencies?

**PARTIES TO THE PROCEEDING
AND RULE 29.6 STATEMENT**

Petitioner, Able Time, Inc., is a California corporation, with no parent or subsidiary. No publicly held company owns 10% or more of Able Time, Inc.'s stock.

Respondent is the United States Government.

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The opinion of the United States Court of Appeals for the Ninth Circuit is reported as *United States v. Able Time, Inc.*, 545 F.3d 824 (9th Cir. 2008). (Pet. App. A.) No opinion or memorandum was issued pursuant to the December 22, 2008 order denying the Petition for Rehearing En Banc. (Pet. App. B.) The United States District Court for the Central District of California issued Findings of Fact and Conclusions of Law, an unreported memorandum, pursuant to the Order Granting Defendant's Motion for Summary Judgment, reversed on appeal above and cited as *United States v. Able Time, Inc.*, No. CV 04-2695 RMT (JWJx) (C.D. Cal. filed May 22, 2006). (Pet. App. C.)

JURISDICTION

This document is filed within the time limits prescribed by Sup. Ct. R. 13.3. The United States Court of Appeals for the Ninth Circuit's opinion was filed on September 25, 2008, and the Petition for Rehearing En Banc was timely filed and subsequently denied on December 22, 2008.

Petitioner invokes the jurisdiction of this Court under 28 U.S.C. §1254(1) (2006).

STATUTORY PROVISIONS INVOLVED

The Tariff Act of 1930, 19 U.S.C. §1526(e)-(f) states, verbatim, in pertinent part:

(f) Civil penalties.

(1) Any person who directs, assists financially or otherwise, or aids and abets the importation of merchandise for sale or public distribution that is seized under subsection (e) shall be subject to a civil fine.

(2) For the first such seizure, the fine shall be not more than the value that the merchandise would have had if it were genuine, according to the manufacturer's suggested retail price, determined under regulations promulgated by the Secretary.

19 U.S.C. § 1526(f).

(e) Merchandise bearing counterfeit mark; seizure and forfeiture; disposition of seized goods. Any such merchandise bearing a counterfeit mark (within the meaning of section 45 of the ... Lanham Act, 15 U.S.C. [§]1127) imported into the United States in violation of the provisions of section 42 of the ... [Lanham Act] (... 15 U.S.C. [§]1124), shall be seized and, in the absence of the written

consent of the trademark owner, forfeited for violations of the customs laws. Upon seizure of such merchandise, the Secretary shall notify the owner of the trademark, and shall, after forfeiture, destroy the merchandise. Alternatively, if the merchandise is not unsafe or a hazard to health, and the Secretary has the consent of the trademark owner, the Secretary may obliterate the trademark where feasible and dispose of the goods seized –

(1) by delivery to such Federal, State, and local government agencies as in the opinion of the Secretary have a need for such merchandise,

(2) by gift to such eleemosynary institutions as in the opinion of the Secretary have a need for such merchandise, or

(3) more than 90 days after the date of forfeiture, by sale by the Customs Service at public auction under such regulations as the Secretary prescribes, except that before making any such sale the Secretary shall determine that no Federal, State, or local government agency or eleemosynary institution has established a need for such merchandise under paragraph (1) or (2).

The Lanham Act, 15 U.S.C. §§1124, 1127 state, verbatim, in pertinent part:

The term "trademark" includes any word, name, symbol, or device, or any combination thereof--

(1) used by a person, or

(2) which a person has a bona fide intention to use in commerce and applies to register on the principal register established by this Act, to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown.

...

The term "mark" includes any trademark, service mark, collective mark, or certification mark.

...

The term "colorable imitation" includes any mark which so resembles a registered mark as to be likely to cause confusion or mistake or to deceive.

The term "registered mark" means a mark registered in the United States Patent and Trademark Office under this Act or under the

Act of March 3, 1881, or the Act of February 20, 1905, or the Act of March 19, 1920. The phrase "marks registered in the Patent and Trademark Office" means registered marks.

...

A "counterfeit" is a spurious mark which is identical with, or substantially indistinguishable from, a registered mark.

15 U.S.C. §1127.

[N]o article of imported merchandise which shall copy or simulate the name of any domestic manufacture, or manufacturer, or trader, or of any manufacturer or trader located in any foreign country which, by treaty, convention, or law affords similar privileges to citizens of the United States, or which shall copy or simulate a trademark registered in accordance with the provisions of this Act or shall bear a name or mark calculated to induce the public to believe that the article is manufactured in the United States, or that it is manufactured in any foreign country or locality other than the country or locality in which it is in fact manufactured, shall be admitted to entry at any customhouse of the United States; and, in order to aid the officers of the customs in

enforcing this prohibition, any domestic manufacturer or trader, and any foreign manufacturer or trader, who is entitled under the provisions of a treaty, convention, declaration, or agreement between the United States and any foreign country to the advantages afforded by law to citizens of the United States in respect to trademarks and commercial names, may require his name and residence, and the name of the locality in which his goods are manufactured, and a copy of the certificate of registration of his trademark, issued in accordance with the provisions of this Act, to be recorded in books which shall be kept for this purpose in the Department of the Treasury, under such regulations as the Secretary of the Treasury shall prescribe, and may furnish to the Department facsimiles of his name, the name of the locality in which his goods are manufactured, or of his registered trademark, and thereupon the Secretary of the Treasury shall cause one or more copies of the same to be transmitted to each collector or other proper officer of customs.

STATEMENT OF THE CASE

On May 7, 1999, U.S. Customs Service (now, U.S. Customs and Border Protection) ("Customs") seized 2794 watches imported by Petitioner Able Time, Inc. ("Able Time"), pursuant to 19 U.S.C. §1526(e). In approximately eight years of importing similar products, until 1999, Able Time had not had its goods seized by Customs. Customs claimed the watches were counterfeit because they bore the mark "TOMMY," a registered trademark of Tommy Hilfiger Licensing, Inc. ("Tommy Hilfiger") in International Class 3, which covers cosmetics, cologne, after-shave, soap and deodorant (Registration No. 1,998,783; Customs Recordation No. TMK-98-00591). This mark was not registered in International Class 14, which covers watches and other goods. In fact, at the time of seizure, Tommy Hilfiger did not make or sell watches, did not own a registered mark in International Class 14 and had not applied to register a mark in that class. No genuine Tommy Hilfiger watch existed at that time.¹

On November 3, 2000, pursuant to 19 U.S.C. §1526(e), which provides for the seizure and forfeiture of counterfeit imports, the Government

¹ Tommy Hilfiger eventually applied to register the "TOMMY" mark in Class 14; the registration was granted in 2002 (No. 2,619,392).

initiated in rem forfeiture proceedings against the watches, which the district court dismissed without prejudice in *United States v. 2164 Watches More or Less*, No. CV00-11781 RMT (JWJx) (C.D. Cal. filed Sep. 13, 2004). The Government did not re-file and, in 2005, returned most of the watches to Able Time.

On April 16, 2004, the Government instituted another district court action pursuant to 28 U.S.C. §1355 jurisdiction to enforce a civil penalty issued to Able Time under 19 U.S.C. §1526(f) in the amount of \$32,940. Penalties under subsection (f) apply to counterfeit goods seized (and, in the absence of certain enumerated exceptions, forfeited) under subsection (e). After all pleadings were filed, Able Time and the Government filed multiple cross-motions for summary judgment. In its first motion, Able Time contended that, because Tommy Hilfiger did not make watches at the time of seizure, there was no genuine watch to counterfeit and, accordingly, there was no manufacturer's suggested retail price ("MSRP") upon which to base the statutory penalty. Contrary to the statute, the Government had based the \$32,940 penalty on domestic value, a value scheme repudiated by Customs months earlier.

Although the district court initially denied the motion, on March 2, 2006, the court, *sua sponte*, reconsidered its denial, issued an Order to Show

Cause and requested that both parties brief two issues: (1) whether the related products doctrine applies to counterfeit goods (including those seized under 19 U.S.C. §1526(e)) and (2) whether merchandise can counterfeit or merely infringe that related product. After reviewing the briefs, on May 23, 2006, the court vacated its earlier denial and granted Able Time's motion for summary judgment. In its Findings of Fact and Conclusions of Law, the court determined that 19 U.S.C. §1526(e)-(f), which, again, applies only to counterfeit merchandise, was inapplicable to the case because "Tommy Hilfiger did not make watches at the time of the seizure"; *ergo*, "the watches ... [Able Time] sought to import 'did not imitate a well-known product' ... [and] cannot be characterized as counterfeit." (Pet. App. C at 8.)

The Government appealed the district court's decision to the Court of Appeals for the Ninth Circuit. On appeal, the Ninth Circuit reversed the decision of the district court. (See Pet. App. A at 4.) Able Time filed a Petition for Rehearing *En Banc* on grounds that the Ninth Circuit's decision to characterize merchandise as counterfeit for 19 U.S.C. §1526(f) purposes (defined under 15 U.S.C. §1127), where a genuine article bearing the registered mark does not exist, created conflicts within the circuit, with decisions of the Supreme Court of the United States and with other federal courts of appeal. The panel

denied Able Time's petition. (See Pet. App. B.)

REASONS FOR GRANTING THE PETITION

The Ninth Circuit's decision in this case turns more than a century of trademark law on its head. First, the court's interpretation of 15 U.S.C. §1127, which is incorporated by reference into section 19 U.S.C. §1526(e)-(f), ignores terms, such as "mark" and "registered mark," that are essential to understanding the meaning of "counterfeit mark." This Court's longstanding approach to statutory construction renders the Ninth Circuit's selectivity untenable. See *United States v. Menasche*, 348 U.S. 528, 537 (1955) (quoting *Montclair v. Ramsdell*, 107 U.S. 147, 152 (1883)). The Ninth Circuit failed to follow Supreme Court precedent, which alone constitutes adequate grounds for granting the Writ of Certiorari. See, e.g., *Lambert v. Wicklund*, 520 U.S. 292 (1997). Second, the Ninth Circuit's determination that marks need not be analyzed in connection with the goods specified in the registration contradicts, arguably, the most fundamental principle in all of trademark law. Even the earliest infringement cases took for granted that an alleged infringer's use of the mark in question must be evaluated in connection with specific goods or services. See, e.g., *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 95-96, 101 (1918), superseded by statute on other grounds as

stated in *Foxtrap, Inc. v. Foxtrap, Inc.*, 671 F. 2d 636 (D.C. Cir. 1982). More recently, the U.S. Courts of Appeals have affirmed this principle in a variety of contexts, holding that three-dimensional goods, not two-dimensional marks, are the subject of trademark law, see, e.g., *Montres Rolex, S.A. v. Snyder*, 718 F.2d 524 (2d Cir. 1983), that all counterfeit cases require the spurious mark to be used on or in connection with registered goods, see, e.g., *Rolex Watch USA, Inc. v. Meece*, 158 F.3d 816, 826 (5th Cir. 1998); and that related but nonidentical goods on which a spurious mark appears, are, by definition, not counterfeit because the mark was not used in connection with goods identified in the registration, see *United States v. Hon*, 904 F.2d 803, 806 (2d Cir. 1990). Clearly, the Ninth Circuit's opinion in this case does not square with the decisions of other circuits and therefore warrants a grant of certiorari. See *Travelers Cas. & Sur. Co. of Am. v. Pac. Gas & Elec. Co.*, 549 U.S. 443, 447 (2007). Finally, the Ninth Circuit's reasoning that Congress intended that trademark terms be interpreted "more broadly" where imported versus domestic merchandise is involved (Pet. App. A at 19), bifurcates trademark law into two incompatible systems: one for domestic goods and one for imported goods. If allowed to stand, the case will be at odds with all other jurisprudence, producing confusion and inconsistent outcomes among district courts and within Customs itself. It is also likely to

detrimentally impact the nation's foreign commerce. Significant, practical consequences such as these also favor granting certiorari. *Cf. S. Fla. Water Mgmt. Dist. v. Miccosukee Tribe of Indians*, 541 U.S. 95, 109 (2004).

1. BY FAILING TO GIVE EFFECT TO EVERY WORD OF THE RELEVANT STATUTES, THE NINTH CIRCUIT'S INTERPRETATION OF "COUNTERFEIT MARK" IGNORED SUPREME COURT PRECEDENT AND THE CANONS OF STATUTORY CONSTRUCTION.

The Ninth Circuit's focus solely on "counterfeit" in the term "counterfeit mark" (and thereby wholly ignoring "mark") contravenes long held principles of statutory construction embodied in Supreme Court decisions. In construing a statute, courts must "give effect, if possible, to every clause and word." *Menasche*, 348 U.S. at 538 -39 (quoting *Montclair*, 107 U.S. at 152). This principle, now axiomatic, especially holds true with respect to words in close proximity to one another. *See Robinson v. Shell Oil Co.*, 519 U.S. 337, 340-41 (1997). Courts simply are not entitled to cherry pick, plucking certain words out of context while ignoring the rest.

Because of the piecemeal approach it adopted to interpret the provision, the Ninth Circuit wrongly concluded that 19 U.S.C. §1526 does not include an "identity of goods or services requirement." The section reads in pertinent part: "any such merchandise bearing a counterfeit mark (*within the meaning of section ... [1127 of Title 15]*) imported ... in violation of ... section [1124 of Title 15], shall be seized and ... forfeited." 19 U.S.C. §1526(e) (emphasis added). The court's approach failed in two respects. First, the court completely ignored the statutory meaning of the word "mark," an enumerated term of section 1526, and focused solely on the definition of counterfeit, which is "a spurious mark ... identical with, or substantially indistinguishable from, a registered mark" 15 U.S.C. §1127. The court looked at "counterfeit" in a vacuum and erroneously concluded that section 1127 protects marks, not goods, because it only considered the lay use of "mark" embedded in the definition of counterfeit.²

² Although it insisted that the language of section 1127 was unambiguous, the court, cobbling together bits and pieces of legislative history, nonetheless proceeded to mischaracterize Congress' lack of urgency in overhauling older sections of the Lanham Act to iron out minor (perceived) inconsistencies with more recent trademark legislation as support for its piecemeal approach. These so-called inconsistencies are discussed in greater detail in *infra* Part 2.

"Mark," however, is a term of art in trademark law that is codified in the Lanham Act. Under 15 U.S.C. §1127, "mark" is defined to include "trademark," which is defined, in turn, as any word, name, symbol or device already in use or which one has applied to register "on the principal register established by this Act," and that identifies or distinguishes the owner's "goods ... from those manufactured or sold by others and ... indicate[s] the source of the goods." Turning further to those sections of the Lanham Act pertaining to registration, 15 U.S.C. §1051 provides for application and registration of a mark on the principal register in connection with the particular goods sold. 15 U.S.C. §1051(a)(2)-(3), (b)(1)-(3), (d)(1)-(2). Section 1057, likewise, requires that the registration certificate state "the particular goods or services for which it is registered." 15 U.S.C. §1057(a). Therefore, when "mark" (and the terms it incorporates) is read side by side with "counterfeit," as it should be, there is no question that "counterfeit mark" under 19 U.S.C. §1526(e) is a mark that is used in connection with a specific class of goods or services. The Ninth Circuit most certainly failed to give effect to every word in the provision. See *Robinson*, 519 U.S. at 341; *Montclair*, 107 U.S. at 152.

Second, the court ignored even an essential component of section 1127's definition of counterfeit. Again, under 15 U.S.C. §1127, "counterfeit" means "a spurious mark ... identical with, or substantially indistinguishable from, a *registered mark*." 15 U.S.C. §1127 (emphasis added). The term "registered mark" is itself defined under section 1127, in relevant part, as "a mark registered in the ... [Patent and Trademark Office ("PTO")] under this Act." This definition refers once again to sections 1051 and 1057, which, as explained, tie the registration of marks to certain enumerated classes of goods and services. Section 1127, then, must only protect marks that are connected with classes of goods and services listed on the register — *i.e.* there is, in the Ninth Circuit's parlance, an "identity of goods" requirement. To assert otherwise renders most of the Lanham Act superfluous, a result that must be avoided. See *Menasche*, 348 U.S. at 538-39.

In sum, the Ninth's Circuit's reading of the statutory provisions involved runs contrary to principles of construction long embraced by this Court. A Writ of Certiorari should be granted.

2. THE NINTH CIRCUIT'S HOLDING THAT THE RELEVANT TARIFF AND LANHAM ACT PROVISIONS PERTAIN TO MARKS WITHOUT REFERENCE TO ANY CLASS OF GOODS SPECIFIED IN THE REGISTRATION CONFLICTS WITH TRADEMARK CASE LAW IN OTHER CIRCUITS.

No other federal court of appeals has adopted the Ninth Circuit's view that marks are not inextricably linked with the class of goods and services in which they are registered. Beyond the court's unworkable construction of the relevant statutory provisions, the court also muddies the water by misapplying what it repeatedly refers to as "an identity of goods or services requirement." (Pet. App. A at 18.) The court purports to rely on the seminal *AMF Inc. v. Sleekcraft Boats* case for the proposition that "identity of goods" is only one of several factors that must be considered in determining the likelihood of confusion. 599 F.2d 341, 348-50 (9th Cir. 1979). The *Sleekcraft* factors, however, are inapposite to the instant case for two reasons: (1) the *Sleekcraft* case was a garden-variety civil trademark infringement case brought under a section of the Lanham Act not at issue,¹⁵ U.S.C. §1114, which, unlike the Tariff Act's incorporation of section 1127, expressly tacks on a severable

likelihood of confusion requirement, *see, e.g., Montres Rolex*, 718 F.2d at 530 (discussing the differences between infringement suits under section 1114 and Tariff Act forfeiture cases involving counterfeits); and (2) while some categories of infringement under section 1127, such as “colorable imitations,” inherently contain a similar likelihood of confusion component, counterfeits do not.³

The latter point is particularly important because while all infringing goods – *i.e.* those that “copy or simulate” a registered trademark – are barred from importation under 15 U.S.C. §1124 (a section also referenced in 19 U.S.C. §1526, but heretofore not addressed), only counterfeits are subject to the harsh provisions of 19 U.S.C. §1526(e)-(f). By incorporating an “identity of goods or services requirement” into its analysis, the Ninth Circuit collapsed the distinction between counterfeits and infringing goods. By contrast, other circuits have recognized and preserved this distinction. *See Sakar Int’l, Inc. v. United States*, 516 F.3d 1340, 1346 n.5 (Fed. Cir. 2008); *Montres Rolex*, 718 F.2d at 528; *see also United States v. Foote*, 413 F.3d 1240, 1246-47

³. Because counterfeits are identical or substantially indistinguishable, they are confusing *per se* and a likelihood of confusion analysis is unnecessary. *See Montres Rolex*, 718 F.2d at 531.

(10th Cir. 2005) (noting the distinction, for similar reasons, in criminal cases brought under the Counterfeit Trademark Act ("CTA"), 18 U.S.C. §2320).

Once unshackled from the likelihood of confusion factors, which are inapplicable, the rest of the court's analysis falls apart. The decision stands in stark conflict with sister circuits, which have held that trademark law protects goods not marks; all trademark counterfeit statutes apply only to registered goods; and the related products doctrine – which is in essence a likelihood of confusion test the Ninth Court introduced through the back door – does not apply to counterfeit goods.

A. The Ninth Circuit's Holding That Marks Are Protectable Without Reference to the Class of Goods and Services in Which They Are Registered Is Incompatible with the Law of Other Circuits.

Goods, not marks, are protected under trademark law. *Gen. Elec. Co. v. Speicher*, 877 F.2d 531, 534 (7th Cir. 1989) ("the purpose of trademark law is *not to guarantee genuine trademarks* but to *guarantee that every item sold under trademark is the genuine trademarked product*) (emphasis added); see also *United States v. Giles*, 213 F.3d 1247, 1252 (10th

Cir. 2000) (citing *Playboy Enter., Inc. v. Universal Tel-Talk, Inc.*, No. 96-CV-6961, 1998 U.S. Dist. LEXIS 8231, at *4 (E.D. Pa. June 3, 1998)); *Ford Motor Co. v. Summit Motor Prods., Inc.*, 930 F.2d 277, 292 (3d Cir. 1991) (“[the] first to use a *mark on a product* ... in a ... market acquires rights in the mark in that market) (quoting *Tally-Ho, Inc. v. Coast Cmty. Coll. Dist.*, 889 F.2d 1018, 1023 (11th Cir. 1989) (emphasis added); *Montres Rolex*, 718 F.2d at 532 (holding Customs must examine the mark on three-dimensional goods, not on two-dimensional certificates). As noted at the outset, even early trademark cases adopted this principle, and some did so explicitly, see, e.g., *Diederich v. W. Schneider Wholesale Wine & Liquor Co.*, 195 F. 35, 37 (8th Cir. 1912) (tying marks to “merchandise of substantially the same descriptive properties as those set forth in such registration”) (quoting the Lanham Act’s predecessor, the Trade-Mark Act of 1905, §16, 33 Stat. 724 (1905)). The Ninth Circuit’s determination that 15 U.S.C. §1127 protects marks (in isolation), not goods (see Pet. App. A at 19), is a radical departure from this principle as enunciated in other courts of appeals (and trademark jurisprudence in general). No other known authority stands for this

proposition.⁴ Certiorari should be granted to resolve this conflict.

B. The Ninth Circuit's Conclusion That "Counterfeit" Has More Than One Meaning Is Irreconcilable With the Judgments of Other Circuits.

The Ninth Circuit's holding that section 1127 has "no identity of goods or services requirement" rests in part on its unjustified parsing of three related trademark provisions defining "counterfeit": the statutory provision in question, 15 U.S.C. §1127 (setting forth definitions under the Lanham Act); the

⁴ There are a handful of criminal and civil infringement cases which are conceptually challenging because they involved trademarks applied to emblems and patches that were intercepted before they could be attached to finished or three-dimensional goods. None of these cases, however, stand for the proposition that marks alone are protectable. The courts held that the marks were connected to specific products, either because they were specially designed to be assembled to identifiable goods, *United States v. Guerra*, 293 F.3d 1279, 1286-88 (11th Cir. 2002), or because they were themselves sold as finished goods that could be attached and/or detached by ultimate consumers, *Boston Profl Hockey League Ass'n v. Dallas Cap & Emblem Mfg., Inc.*, 510 F.2d 1004, 1011-12 (5th Cir. 1975). See generally *Giles*, 213 F.3d at 1249-51.

civil counterfeit provision under the CTA, 15 U.S.C. §1116; and the CTA's criminal counterfeit provision, 18 U.S.C. §2320. All three provisions recite essentially the same definition of "counterfeit mark," except that 15 U.S.C. §1116(d)(1)(B)(i)'s definition includes, "for such goods or services sold," and 18 U.S.C. §2320(e)(1)(A)(i)'s definition adds, "used in connection with trafficking in any goods, services[, etc.]" As alluded to in *supra* note 2, the court cited Congress' failure, to date, to amend older sections of the Lanham Act – namely, 15 U.S.C. §1127 – to fix superficial lexicological differences among the three provisions. It reasoned that Congress could have amended the Lanham Act but chose not to do so. The particular document from which the court draws this inference, however, is a CTA legislative report that in fact suggests the opposite: "the ... definitions of counterfeit mark differ slightly in their terms, but they are identical in substance." (Pet. App. A at 22 n.7) (quoting Joint Congressional Statement on 1984 Trademark Counterfeiting Legislation, 130 Cong. Rec. H12076 (daily ed. Oct. 10, 1984), *reprinted in* 7 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition App. A8-9 (4th ed. 2007). Congress declined to amend section 1127 because it saw no substantive difference but simply recognized that reconciling the superficial variations in wording would have to be left for another day (Pet. App. A at

21 n.6) (quoting Joint Statement at H12076, reprinted in 7 McCarthy at App. A8-3 to A8-4).

Accordingly, at least two decisions in other circuits used CTA and Lanham Act definitions of counterfeit interchangeably. See *Meece*, 158 F.3d at 826; *Babbitt Elecs. v. Dynascan Corp.*, 38 F.3d 1161, 1181 nn.5-6 (11th Cir. 1994). No case other than this one asserts that "counterfeit" has more than one meaning in trademark law. As such, the court's conclusion that the CTA provisions' "identity of goods or services requirement" do not apply to the Lanham Act's definition of counterfeit in 15 U.S.C. §1127 creates inter-circuit conflict this Court should resolve by granting certiorari.

C. The Related Products Doctrine, Repackaged as "No Identity of Goods or Services," Does Not Apply to Counterfeit Cases.

Finally, at least one other court of appeals specifically has held that related goods cannot be counterfeit. This decision is important because the Ninth Circuit's explication of the "identity of goods or services requirement" (which, as noted above, is really a likelihood of confusion element) is simply a restatement of the related products doctrine. The related products doctrine allows a trier of fact to find

that nonidentical, noncompeting goods are infringing (assuming all other criteria are satisfied) when they are likely to confuse consumers about the source of the goods, thereby damaging the goodwill of the trademark holder with respect to registered goods in commerce.⁵ See generally *Levi Strauss & Co. v. Blue Bell, Inc. (Blue Bell II)*, 778 F.2d 1352, 1354-58 (9th Cir. 1985) (en banc).

Again, however, while related products may be infringing, they can never be counterfeit because the goods, by definition, are not identical. The Second Circuit succinctly articulated this principle: "[Certain cases] raise the question whether the second mark on a different non-competing [sic.] product creates a likelihood of confusion as to the source or origin of the product and are *far removed from the counterfeit*

⁵ Right away, it is apparent that even if the related products doctrine were germane, the Ninth Circuit's application of it misses the mark because the court never addresses how Able Time's watches are likely to cause confusion *with respect to Tommy Hilfiger's goods in Class 3* – the only class in which its word mark "TOMMY" was registered at the time of seizure. As discussed above, there is no abstract protectable interest in (and thus no damage to) a mark on its own.

context." *Hon.*, 904 F.2d at 808 (emphasis added).⁶ The Ninth Circuit's decision is not compatible with this holding and certiorari should be granted to resolve this conflict.

3. THE NINTH CIRCUIT'S DECISION UNJUSTIFIABLY CREATES A NEW SYSTEM OF TRADEMARK LAW FOR IMPORTED GOODS THAT WILL TROUBLE FEDERAL COURTS AND AGENCIES AND UNDULY RESTRICT FOREIGN COMMERCE.

Because the Ninth Circuit concludes that Congress may have intended broader protection for trademarks under the Tariff Act (and, by necessity, 15 U.S.C. §1127 of the Lanham Act) (Pet. App. A at 19),⁷ the effect of the *Able Time* decision is to create

⁶ In infringement cases under section 1114, which does not distinguish among categories of infringement, the related products doctrine may be introduced regardless of the type of infringement involved. See *CAE, Inc. v. Clean Air Eng'g, Inc.*, 267 F.3d 660, 678-79 (7th Cir. 2001).

⁷ The weight of authority suggests otherwise. There is only one body of substantive trademark law. Other cases arising under the Tariff Act are instructive in this regard. Cf. *Bordeau Bros. v. Int'l Trade Com'n*, 444 F.3d 1317, 1320 (Fed. Cir. 2006) (holding that unfair competition

a parallel universe for imports. The same product, depending on whether it is made domestically or abroad, will receive different treatment: while the domestically made product may be deemed neither infringing nor counterfeit under the Lanham Act, its foreign made counterpart when imported could be deemed counterfeit under the Court's interpretation of 19 U.S.C. §1526. Such a result is unjust and impracticable.

First, the lower courts – district courts and the U.S. Court of International Trade (“CIT”) in particular – will be troubled and divided by future cases arising under 19 U.S.C. §1526(e)-(f). These courts are the courts of first resort, and the few presented with counterfeit cases under subsections

suits under section 337 of the Tariff Act, 19 U.S.C. §1337, apply federal trademark rules); *Premier Dental Products Co. v. Darby Dental Supply Co.*, 794 F.2d 850, 853 (3d Cir. 1986) (stating, in gray market case arising under 19 U.S.C. §1526(a), that this section of the Tariff Act must be “read in conjunction with the trademark law doctrines that determine trademark ownership”). Therefore, the better view is that Congress intended “solely to strengthen the remedies available” for infringing imports (Pet. App. A at 19 n.5) (quoting H.R. Rep. No. 95-1517 at 17 (1978) (Conf. Rep.), *reprinted in* 1978 U.S.C.C.A.N. 2249, 2259) (emphasis added), not to invent a new set of substantive trademark rules.

(e) and (f) have not shared the Ninth Circuit's reasoning. See *Ross Cosmetics Distrib. Ctrs. v. United States*, 18 Ct. Int'l Trade 979, 986 (1994); *Playboy*, 1998 U.S. Dist. LEXIS 8231, at *12-13 (citing 3 McCarthy at §25:14). An anomalous case like *Able Time*, if allowed to stand, will lead to greater uncertainty about the state of the law and more and more inconsistent decisions. Consequently, an increase in appellate cases is also to be expected.

Second, decision making within Customs, where there is an overarching, agency-wide need for uniform enforcement, will be impaired. The Ninth Circuit decision reads out of section 1526(f) the necessity that a penalty be based on the value "the merchandise would have had if it were genuine, according to the ... [MSRP]." Common sense and logic dictate that an article cannot have an MSRP if the product does not exist. Because Tommy Hilfiger did not make watches at the time of seizure, there was no genuine article, and accordingly, no MSRP. Customs' intervening clarification of its own policy in 2003, in fact, embraced the same conclusion: any section 1526(f) penalty must be based on the MSRP. Civil Fines for Importation of Merchandise Bearing a Counterfeit Mark, 68 Fed. Reg. 43,635-43,637 (Jul.

24., 2003).⁸ The Ninth Circuit's decision now contradicts this change and threatens to throw Customs' policy with respect to 19 U.S.C. §1526(f) penalties into total confusion. Both importers and the government will waste precious resources in litigation if the Ninth Circuit's decision stands.

Finally, the decision will negatively impact the nation's foreign commerce. Because importers will be held to more stringent rules, Customs' enforcement efforts will result in more seizures and forfeitures on counterfeit grounds (even though the same merchandise, if manufactured and sold domestically, would not be subject to the same treatment). This increase is likely to slow down the flow of cross-border transactions and create delays at many U.S. ports which are already logjammed. Moreover, Congress recently has demonstrated through a bevy of legislation governing imports, *see, e.g.*, Revised Lacey Act Provisions, 73 Fed. Reg. 58,925 (Oct. 8, 2008) (to be codified at 16 U.S.C. §3372), that it is perfectly capable of restricting foreign commerce without judicial intervention.

⁸ By analogy, compare also 19 U.S.C. §1401a(f)(2)(G) (prohibiting appraisement on "arbitrary or fictitious" values).

Because a decision with such serious, far-reaching and deleterious consequences should not stand as good law, this Court should grant certiorari.

CONCLUSION

For the foregoing reasons, Able Time respectfully submits that a Writ of Certiorari should issue to review the order and opinion of the United States Court of Appeals for the Ninth Circuit.

Dated: March 20, 2009

Respectfully submitted,

STEIN SHOSTAK SHOSTAK
POLLACK & O'HARA, LLP

BRUCE N. SHULMAN
Counsel of Record

ELON A. POLLACK

Attorneys for Petitioner

APPENDIX A

A-1

FOR PUBLICATION

**UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT**

FILED
SEP 25 2008
MOLLY C DWYER, CLERK
U.S. COURT OF APPEALS

UNITED STATES OF AMERICA,
Plaintiff - Appellant,

v.

ABLE TIME, INC.,
a California corporation,
Defendant - Appellee.

No. 06-56033
D.C. No. CV-04-02695-RMT

OPINION

Appeal from the United States District Court
for the Central District of California
Robert M. Takasugi, District Judge, Presiding

Argued and Submitted February 15, 2008
Pasadena, California

Before: TROTT, CLIFTON, and CALLAHAN,
Circuit Judges.

Opinion by Judge Clifton

OPINION

CLIFTON, Circuit Judge:

Able Time, Inc. imported a shipment of watches into the United States. The watches bore the mark "TOMMY," which is a registered trademark owned by Tommy Hilfiger Licensing, Inc. The Bureau of Customs and Border Protection seized the watches pursuant to the Tariff Act, which authorizes seizure of any "merchandise bearing a counterfeit mark." 19 U.S.C. § 1526(e). Tommy Hilfiger did not make or sell watches at the time of the seizure. Customs later imposed a civil penalty upon Able Time pursuant to 19 U.S.C. § 1526(f), which authorizes the imposition of a fine upon any person who imports merchandise that is seized under § 1526(e).¹ The district court

¹ The Tariff Act provides as follows:

(e) Merchandise bearing counterfeit mark; seizure and forfeiture; disposition of seized goods

Any such merchandise bearing a counterfeit mark (within the meaning of section 1127 of Title 15) imported into the United States in violation of the provisions of section 1124 of Title 15, shall be seized and, in the absence of the written consent of the trademark owner, forfeited for violations of the customs laws.

....

(f) Civil Penalties

(1) Any person who directs, assists financially or otherwise, or aids and abets the importation of merchandise for sale or

concluded that, because Tommy Hilfiger did not make watches at the time of the seizure, the watches imported by Able Time were not counterfeit, and the civil penalty imposed by Customs was unlawful.

The government argues that the Tariff Act does not require the owner of the registered mark to make the same type of goods as those bearing the offending mark. The government acknowledges that such a requirement is commonplace in many related trademark statutes but maintains that Congress did not intend to include such a requirement—known as an “identity of goods or services” requirement—in the Tariff Act. Able Time responds by arguing that Congress expressed its intent to require identity of goods in related statutes and legislative history.

We conclude that the Tariff Act does not contain an identity of goods or services requirement. We hold that Customs may impose a civil penalty pursuant to 19 U.S.C. § 1526(f) upon an importer of merchandise

public distribution that is seized under subsection (e) of this section shall be subject to a civil fine.

(2) For the first such seizure, the fine shall be not more than the value that the merchandise would have had if it were genuine, according to the manufacturer's suggested retail price, determined under regulations promulgated by the Secretary.

19 U.S.C. § 1526. “Any such merchandise” refers to merchandise of foreign manufacture bearing a registered trademark owned by a U.S. citizen or corporation. 19 U.S.C. § 1526(a).

bearing a counterfeit mark, even though the owner of the registered mark does not manufacture or sell the same type of merchandise. We reverse the district court's order granting Able Time's motion for summary judgment and remand for further proceedings.

I. Background

Tommy Hilfiger registered the trademark "TOMMY" in International Class 3, which encompasses cosmetics, cologne and similar products, in September 1996. Customs seized a shipment of watches imported by Able Time bearing the mark "TOMMY" on May 7, 1999. At the time, Tommy Hilfiger did not manufacture or sell watches, nor was its mark registered in International Class 14, the class that includes watches. Tommy applied for registration in that class on November 30, 1999, and received it on September 17, 2002. Tommy Hilfiger currently sells watches with the "TOMMY" mark.

A. *The Forfeiture Action*

Customs filed an *in rem* forfeiture action against the watches pursuant to 19 U.S.C. § 1526(e) on November 3, 2000. The district court granted Able Time's motion for judgment on the pleadings on September 24, 2002. The government appealed, and we vacated the district court's judgment and remanded for further proceedings. *See United States v. 2,164 Watches*, 366 F.3d 767 (9th Cir. 2004). The district court dismissed the forfeiture suit without prejudice for defective service of process on

September 9, 2004. The government was unable to re-file the forfeiture suit because the statute of limitations had run. It returned nearly all of the watches to Able Time on April 8, 2005.

B. The Civil Penalty Action

Customs issued Able Time several notices of civil penalty in February and March of 2004. Customs filed this civil penalty action pursuant to 19 U.S.C. § 1526(f) on April 15, 2004. Able Time filed a motion for summary judgment which the district court initially denied, concluding that jurors could reasonably return a verdict for the government that the watches bore a counterfeit mark. The district court subsequently issued *sua sponte* an order to show cause why it should not reconsider its decision. After further briefing, the district court granted Able Time's motion for summary judgment, concluding as a matter of law that the imported watches could not be counterfeit because Tommy Hilfiger did not make watches at the time of the seizure. The government timely appealed.

II. Discussion

We have jurisdiction pursuant to 28 U.S.C. § 1291. "We review a grant of summary judgment de novo." *Universal Health Servs., Inc. v. Thompson*, 363 F.3d 1013, 1019 (9th Cir. 2004). "The district court's interpretation of a statute is a question of law also subject to de novo review." *Beeman v. TDI Managed Care Servs., Inc.*, 449 F.3d 1035, 1038 (9th Cir. 2006). We first consider whether this case is moot, which is an issue subject to de novo review that

the parties may raise at any time. *S. Or. Barter Fair v. Jackson County*, 372 F.3d 1128, 1133 & n.8 (9th Cir. 2004).

A. Mootness

Able Time argues that this case is moot because Customs has returned nearly all the watches. A case becomes moot when there no longer exists a "present controversy as to which effective relief can be granted." *Vill. of Gambell v. Babbitt*, 999 F.2d 403, 406 (9th Cir. 1993) (internal quotation omitted).

This action is not moot because the civil penalty remedy is still available. See *Friends of the Earth v. Laidlaw Envtl. Servs. (TOC), Inc.*, 528 U.S. 167, 192-93 (2000) (reasoning that the availability of civil penalties rendered the case not moot); *Ecological Rights Found. v. Pac. Lumber Co.*, 230 F.3d 1141, 1153 (9th Cir. 2000) (same). The provision that authorizes civil penalties, 19 U.S.C. § 1526(f), does not require Customs to retain possession of the offending merchandise during the pendency of a civil penalty suit, nor does it require Customs to successfully attain forfeiture of the merchandise. Subsection (f) requires only that the merchandise be "seized under subsection (e)," which it was. 19 U.S.C. § 1526(f). If the forfeiture action in this case had been dismissed with prejudice, or if Able Time were to show that the seizure was otherwise invalid, then a civil penalty would not be appropriate. But the forfeiture action here was dismissed *without* prejudice, and Able Time has not shown that the seizure was unlawful. Accordingly, the civil penalty

remedy is still available and the case is not moot.

B. Relevant Statutes

We turn next to the language of the relevant statutes. See *Consumer Prod. Safety Comm'n v. GTE Sylvania, Inc.*, 447 U.S. 102, 108 (1980) ("[T]he starting point for interpreting a statute is the language of the statute itself. Absent a clearly expressed legislative intention to the contrary, that language must ordinarily be regarded as conclusive."). The government argues that the Tariff Act and the statutes that it incorporates do not require the owner of the trademark to manufacture the same goods as those bearing the offending mark. The government argues in the alternative that the agency's interpretation is entitled to deference under *Chevron U.S.A., Inc. v. Natural Resources Defense Council, Inc.*, 467 U.S. 837, 843 (1984), a position we decline to adopt and discuss below at 25-26. Able Time responds by arguing that other sources, such as other statutory language and legislative history, show Congress's intent to require identity of goods or services in the Tariff Act. We conclude that the plain language is unambiguous and does not contain an identity of goods or services requirement. On remand, the district court will consider whether the other requirements of the Tariff Act have been met.

The Tariff Act prohibits the importation of merchandise bearing a registered trademark without the permission of the owner of the trademark:

[I]t shall be unlawful to import into the

United States any merchandise of foreign manufacture if such merchandise . . . bears a trademark owned by a citizen of, or by a corporation or association created or organized within, the United States . . . unless written consent of the owner of such trademark is produced.

19 U.S.C. § 1526(a). The Tariff Act also authorizes seizure and forfeiture if the merchandise bears a counterfeit mark:

Any such merchandise bearing a counterfeit mark (within the meaning of section 1127 of Title 15) imported into the United States in violation of the provisions of section 1124 of Title 15, shall be seized and, in the absence of the written consent of the trademark owner, forfeited for violations of the customs laws.

19 U.S.C. § 1526(e). The Tariff Act authorizes the imposition of a civil penalty upon an importer whose goods are seized, in an amount not more than the value the merchandise would have had if it were genuine:

- (1) Any person who directs, assists financially or otherwise, or aids and abets the importation of merchandise for sale or public distribution that is seized under subsection (e) of this

section shall be subject to a civil fine.

(2) For the first such seizure, the fine shall be not more than the value that the merchandise would have had if it were genuine, according to the manufacturer's suggested retail price, determined under regulations promulgated by the Secretary.

19 U.S.C. § 1526(f). None of these provisions require the owner of the registered mark to make or sell the same goods as those bearing the offending mark.

Subsection (e) of the Tariff Act incorporates two other statutes, 15 U.S.C. § 1127 and 15 U.S.C. § 1124. Both are part of the Trademark Act of 1946, known as the Lanham Act, and neither contains an identity of goods or services requirement. The Tariff Act incorporates the definition of the term "counterfeit" from the first statute: "A 'counterfeit' is a spurious mark which is identical with, or substantially indistinguishable from, a registered mark." 15 U.S.C. § 1127. Able Time argues that 15 U.S.C. § 1127 also defines other terms, such as "trademark" and "use in commerce," that do contain an identity of goods or services requirement. The Tariff Act incorporates only the definition of "counterfeit." Other definitions contained in 15 U.S.C. § 1127 are not at issue here.

The Tariff Act incorporates from the second statute the requirement that the offending merchandise "copy or simulate" a registered

trademark, which amounts to a requirement that the offending merchandise be likely to cause confusion. The second statute provides: "[N]o article of imported merchandise . . . which shall copy or simulate a trademark registered in accordance with the provisions of this chapter . . . shall be admitted to entry at any customhouse of the United States" 15 U.S.C. § 1124. Customs has defined a "copying or simulating" trademark as "one which may so resemble a recorded mark or name as to be likely to cause the public to associate the copying or simulating mark or name with the recorded mark or name." 19 C.F.R. § 133.22(a). This is equivalent to the traditional "likelihood of confusion" test for trademark infringement. See *Ross Cosmetics Distrib. Ctrs., Inc. v. United States* ("Ross I"), 17 C.I.T. 814, 817-18 (1993) (equating the "copy or simulate" requirement from 15 U.S.C. § 1124 with the likelihood of confusion standard); *Ross Cosmetics Distrib. Ctrs., Inc. v. United States* ("Ross II"), 18 C.I.T. 979, 984-85 (1994) (same); 5 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 29:37 (4th ed. 2007) [hereinafter McCarthy] ("[The] 'copy or simulate' . . . test is the same as that used to determine the infringement of a federally registered mark in ordinary litigation."); see also *AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348-49 (9th Cir. 1979) (listing factors relevant to likelihood of confusion analysis, including the strength of the mark, the proximity of the goods, and the similarity of the marks, among others), *abrogated on other grounds by New Kids on the Block v. News Am. Publ'g, Inc.*, 971 F.2d 302, 308-09 (9th Cir. 1992). While public confusion may be more likely

where the owner of the registered mark manufactures the same goods as those bearing the offending mark, identity of goods or services is not a requirement, particularly where the other factors weigh in favor of finding confusion.

To run afoul of the civil penalty provision of the Tariff Act, then, the offending merchandise must bear a mark identical to or substantially indistinguishable from a registered trademark owned by a United States citizen or corporation, where the offending merchandise copies or simulates the registered trademark, meaning that it is likely to cause the public to associate the offending merchandise with the registered trademark under the *Sleekcraft* factors. See 19 U.S.C. § 1526(e)-(f); 15 U.S.C. §§ 1124, 1127; 19 C.F.R. § 133.22(a). Nowhere does this statutory scheme require the owner of the registered mark to make the same goods as those bearing the offending mark.

Able Time argues that the reference to "genuine" merchandise and its retail price in 19 U.S.C. § 1526(f)(2), quoted above at 8, shows that Congress intended a civil penalty to apply only where there is, in fact, a genuine article with which to compare the merchandise bearing a counterfeit mark, *i.e.*, where the owner of the registered mark manufactures the same goods as those bearing the offending mark. The reference to "genuine" goods does not establish such a requirement, however, because the provision in which it appears affects the calculation of the civil penalty, not the initial determination of whether a penalty should apply. This language at best implies that the drafters did not anticipate the specific

circumstances of the instant case, not that they intended the civil penalty to be limited to cases involving identity of goods or services. And on its face, the language of 19 U.S.C. § 1526(f)(2) does not require the genuine merchandise to be manufactured by the trademark owner. Here, the term "genuine" could refer to genuine name-brand watches generally.

Able Time makes the related argument that it is impossible to calculate the fine in the manner required by § 1526(f)(2), since there can be no retail price for genuine Tommy watches if genuine Tommy watches did not exist at the time. Able Time argues that this impossibility shows that Congress intended to require the owner of the registered mark to manufacture the same goods as those bearing the offending mark. We disagree. The Tariff Act specifies that the fine must be *no more than* the manufacturer's suggested retail price that the merchandise would have had if it were genuine. The legislative history of § 1526(f)(2) provides that the fine should be "meted out at the discretion of the U.S. Customs Service, within the boundaries set out by Congress in the bill." S. Rep. No. 104-177, at 6 (1995). In this case, Customs acted within its discretion when it used the "domestic value" of the merchandise as an approximation in accordance with a Customs directive applicable in similar circumstances.²

² Domestic value is the estimated price an importer will charge a wholesale purchaser. Because retailers must charge more than the wholesale price in order to make a profit, Customs reasonably assumed that the domestic

C. Congressional Intent

In order to overcome this plain language, Able Time must identify a "clearly expressed legislative intention to the contrary." *GTE Sylvania, Inc.*, 447 U.S. at 108. Able Time argues that the presence of an identity of goods or services requirement in related statutes and legislative history shows Congress's intent to require identity of goods or services in the Tariff Act. We disagree. The plain language of the Tariff Act is unambiguous, so related statutes are of limited help. The sequence of enactments of and amendments to the relevant statutes strongly supports the inference that the omission of an identity of goods or services requirement from the Tariff Act was intentional. And the legislative histories of the statutes at issue, and of related statutes, support the plain text interpretation.

value of the watches would be less than their retail price. In this case, Customs approximated the price Able Time paid the manufacturer, the expense of bringing the watches to the United States, and a markup for Able Time's estimated profit in selling the watches to a wholesaler. The domestic value determined by Customs in this case is \$11.78 per watch. If the district court on remand upholds the imposition of a civil penalty here, it may consider any challenge to this calculation and may set the amount of the civil penalty as it sees fit in accordance with 19 U.S.C. § 1526(f).

1. The Lanham Act

Able Time argues that numerous portions of the Lanham Act contain an identity of goods or services requirement, *see, e.g.*, 15 U.S.C. §§ 1051(a)(1), 1057(b), 1058(b), 1114(1)(a), 1115(a), and 1116(d)(1)(B)(i), and that we should read the Tariff Act consistently with the Lanham Act because they are related statutes. The principle that related statutes should be interpreted harmoniously applies only where the plain language of the statute at issue is ambiguous. *See Jonah R. v. Carmona*, 446 F.3d 1000, 1005, 1007 (9th Cir. 2006) (quoting *Jett v. Dallas Indep. Sch. Dist.*, 491 U.S. 701, 738-39 (1989) (“[W]here text permits, statutes dealing with similar subjects should be interpreted harmoniously.”) (emphasis added) (Scalia, J., concurring)). The statutory provisions cited by Able Time are not at issue here. The plain language of the statutes that are at issue is unambiguous and does not require Tommy Hilfiger to have manufactured watches at the time of the seizure for a civil penalty to be imposed. And the presence of an identity of goods and services requirement in related statutes does not constitute a clearly established legislative intention to include a similar requirement in the Tariff Act.

2. Sequence of Statutory Enactments

Congress has shown more than once that it is able to impose an identity of goods or services requirement when it wishes by saying so explicitly in the relevant statutory text. Congress enacted the definition of “counterfeit” in 15 U.S.C. § 1127, at issue here and

discussed above, in the Lanham Act in 1946. Congress created the seizure and forfeiture provision of the Tariff Act, 19 U.S.C. § 1526(e), also discussed above, in the Customs Procedural Reform and Simplification Act of 1978 (the "1978 Act"), Pub. L. No. 95-410, 92 Stat 888. Congress created criminal and civil provisions that contain an explicit identity of goods or services requirement in the Trademark Counterfeiting Act of 1984 (the "1984 Act"), ch. XV, §§ 1501-03, Pub. L. No. 98-473, H. R. J. Res. 648 (1984), 98 Stat. 2178.³ The 1984 Act also amended portions of the Lanham Act, but it did not alter the definition of "counterfeit" in 15 U.S.C. § 1127, nor did it add an identity of goods or services requirement to the seizure and forfeiture provision, 19 U.S.C. § 1526(e).

³ The criminal provision of the 1984 Act penalizes "[w]hoever intentionally traffics or attempts to traffic in *goods or services* and knowingly uses a counterfeit mark on or in connection with such goods or services." 98 Stat. 2178 (1984) (codified at 18 U.S.C. § 2320(a) (2008)) (emphasis added). The criminal provision originally defined "counterfeit mark" as "a spurious mark . . . used in connection with trafficking in goods or services . . . that is identical with, or substantially indistinguishable from, a mark registered *for those goods or services*" 98 Stat. 2178, 2179 (1984) (codified at 18 U.S.C. § 2320(d)(1)(A) (2006)) (emphasis added). The civil provision created by the 1984 Act defines a "counterfeit mark" as a "counterfeit of a mark that is registered . . . *for such goods or services* sold, offered for sale, or distributed and that is in use." 98 Stat. 2178, 2180 (1984) (codified at 15 U.S.C. § 1116(d)(1)(B)(i) (2008)) (emphasis added).

Congress created the civil penalty provision of the Tariff Act discussed above, 19 U.S.C. § 1526(f), in 1996 as part of the Anticounterfeiting Consumer Protection Act ("ACPA"), Pub. L. No. 104-153, 110 Stat. 1386. In 2006, Congress amended the language in the criminal provision's definition of "counterfeit mark" to make the identity of goods or services requirement even clearer.⁴ Once again, it did not change the definition of "counterfeit" in 15 U.S.C. § 1127, nor did it add an identity of goods or services requirement to the provisions of Tariff Act at issue here, 19 U.S.C. § 1526(e) and (f).

That Congress included an explicit identity of goods or services requirement in both the civil and criminal provisions of the 1984 Act, amended the Lanham Act in 1984, amended the Tariff Act in 1996, and then clarified the requirement in the criminal provision of the 1984 Act in 2006, but never added such a requirement to the provisions of the Tariff Act and Lanham Act at issue here, supports the inference that the omission of such a requirement from those provisions was intentional. *See Beach v. Ocwen Fed.*

⁴ As amended by the Stop Counterfeiting in Manufactured Goods Act, the criminal provision of the 1984 Act now defines a "counterfeit mark" as "a spurious mark . . . used in connection with trafficking in any goods [or] services . . . that is identical with, or substantially indistinguishable from, a mark registered . . . and in use . . . that is applied to or used in connection with the goods or services for which the mark is registered." Pub. L. No. 109-181, 120 Stat. 285, 286-87 (2006) (codified at 18 U.S.C. § 2320(e)(1)(A) (2008)) (emphasis added).

Bank, 523 U.S. 410, 418 (1998) (“[W]here Congress includes particular language in one section of a statute but omits it in another section of the same Act, it is generally presumed that Congress acts intentionally and purposely in the disparate inclusion or exclusion.”) (internal quotation and citations omitted). Congress may have wanted to apply a more restrictive definition in the context of criminal suits and civil actions by self-interested private plaintiffs than in penalty suits brought by the government. Whatever its reasons, Congress simply did not include an identity of goods or services requirement in the definition of “counterfeit” contained in 15 U.S.C. § 1127.

3. The Legislative Histories of 19 U.S.C. § 1526(e) and (f)

Congress enacted the civil penalty provision, 19 U.S.C. § 1526(f), in the ACPA in 1996. The legislative history of the ACPA demonstrates that Congress intended to protect consumers who unwittingly purchase “counterfeit products” because such products “are rarely of the same quality as the genuine article,” because consumers may blame the owner of the registered mark for their shoddy purchases, and because consumers may suffer harm when substandard products fail. H.R. Rep. No. 104-556, at 1-4 (1996), *reprinted in* 1996 U.S.C.C.A.N. 1074, 1074-77. Able Time argues that this legislative history shows that Congress was thinking in terms of counterfeit *goods*, not counterfeit trademarks separate and apart from the products on which they appear. Able Time argues that this requires reading

an identity of goods and services requirement into the Tariff Act.

The references to "counterfeit products" and the "genuine article" in the legislative history of § 1526(f) do not constitute the sort of "clearly expressed legislative intention" required to overcome plain statutory text. *GTE Sylvania*, 447 U.S. at 108. The recognition that some cases of counterfeiting will involve the same goods as those manufactured by the owner of the registered mark does not mean that all cases must involve the same goods, particularly in light of plain statutory language with no such requirement. See 4 McCarthy § 25:10 ("Often, counterfeit merchandise is made so as to imitate a well-known product . . .") (emphasis added). The references to counterfeit products rather than counterfeit marks appear in a general discussion of the statute, in a section entitled "Background and Need for the Legislation." H.R. Rep. No. 104-556, at 1, *reprinted in* 1996 U.S.C.C.A.N. at 1075. The passages containing these references do not specifically discuss the definition of the term "counterfeit," and they do not appear intended to define or restrict its meaning. Moreover, applying a civil penalty in the instant case will combat the very harm identified in the legislative history: it will protect consumers from being misled into purchasing generic watches that they mistakenly believe come from Tommy Hilfiger.

The legislative history of 19 U.S.C. § 1526(e) also does not undercut the plain text of the Tariff Act. Congress enacted § 1526(e), the seizure and forfeiture

provision, in the 1978 Act. The legislative history of the 1978 Act explains that the Senate amendment containing what eventually became § 1526(e) was intended "solely to strengthen the remedies available to prevent the importation of merchandise bearing [a counterfeit] mark." H.R. Rep. No. 95-1517, at 17 (1978) (Conf. Rep.), *reprinted in* 1978 U.S.C.C.A.N. 2249, 2259.⁵ If anything, this weighs in favor of construing § 1526(e) to more broadly prevent the importation of merchandise bearing a counterfeit mark. The legislative history also refers to counterfeit marks, which shows Congress was not thinking purely in terms of counterfeit products when it enacted the statute.

Accordingly, the legislative histories of § 1526(e) and (f) tend to support the plain text interpretation. Our review of the legislative histories of the other statutory provisions directly at issue reveals nothing to the contrary.

⁵ The legislative history of the § 1526(e) provides:

The House receded from its disagreement with the Senate amendment with amendments to clearly limit the Senate amendment to merchandise bearing a counterfeit mark as defined in section 45 of the Act of July 5, 1946 (the Lanham Act) [15 U.S.C. § 1127], as the amendment is intended solely to strengthen the remedies available to prevent the importation of merchandise bearing such a mark

H.R. Rep. No. 1517, at 17 (1978), *reprinted in* 1978 U.S.C.C.A.N. 2249, 2259.

4. The Legislative History of the 1984 Act

Able Time argues that the legislative history of the 1984 Act shows that Congress was attempting to combat counterfeit products that might cause consumers harm, not counterfeit marks in isolation. We decline to rely on the legislative history of the 1984 Act, however, because it relates only to statutory provisions that are not at issue. *Accord United States v. 10,510 Packaged Computer Towers*, 152 F. Supp. 2d 1189, 1199 (N.D. Cal. 2001) (“Aside from the fact that the cited language [in the legislative history of the 1984 Act] refers to an entirely different statute, its reference is to a criminal statute.”); *see also* 2 Anne Gilson LaLonde, *Gilson on Trademarks* § 5.19[2][a] at 5-218 & nn. 16-17 (2007) [hereinafter *Gilson*] (discussing the civil and criminal provisions of the 1984 Act, not the definition of counterfeit in 15 U.S.C. § 1127).

As discussed above, the 1984 Act established civil and criminal provisions with definitions of “counterfeit” that include an express identity of goods or services requirement. *See* 15 U.S.C. § 1116(d)(1)(B)(i); 18 U.S.C. § 2320(e)(1)(A)(iii). Neither of these provisions is at issue. The legislative history of the 1984 Act warns us that “[u]nless it does so explicitly, this act does not in any way modify the Lanham Act or judicial interpretation of it.” Joint Congressional Statement on 1984 Trademark Counterfeiting Legislation, 130 Cong. Rec. H12076, H12076 (Oct. 10, 1984) [hereinafter *Joint Statement*], *reprinted in* 7 McCarthy at App. A8-3. It also recognized that the “Lanham Act relates to ‘marks’ rather than ‘goods or

services” and stated that changing the Lanham Act definition of “counterfeit” to follow the definitions established by the 1984 Act was “beyond the scope” of the 1984 Act, because the 1984 Act was a “compromise” bill, not “an overall redrafting of the trademark law.” Joint Statement at H12076, *reprinted in 7 McCarthy at App. A8-3 to A8-4*.⁶ These statements weigh against relying on the legislative history of the 1984 Act in any context other than the civil and criminal provisions that it established, neither of which is at issue.

⁶ The Joint Statement provides:

This key criminal provision represents a compromise between the Senate and House bills. The Senate bill was drafted to prohibit “trafficking in counterfeit goods or services,” while the House bill barred “use of a counterfeit mark” in connection with goods or services. Both the House and Senate sponsors recognize that a mark can be “counterfeit” only if it is used in connection with certain types of goods or services. However, conduct regulated by the Lanham Act relates to “marks” rather than “goods or services”: the sponsors feared that it might create confusion to adopt the terminology of “counterfeit goods or services” in a piecemeal fashion. An overall redrafting of the trademark laws is an appropriate way to make such changes and is beyond the scope of this legislation.

Joint Statement at H12076, *reprinted in 7 McCarthy at App. A8-3 to A8-4*.

Two other aspects of the 1984 Act deserve mention. Its legislative history states that the definitions of "counterfeit" in the civil and criminal provisions are "identical in substance." Joint Statement at H12078, *reprinted in* 7 McCarthy at App. A8-9.⁷ This statement equates the civil provision with the criminal provision. It does not equate either of them with the definition at issue here, which is contained in 15 U.S.C. § 1127. It also states that the civil provision's definition "incorporates the section 1127 definition." *Id*; accord 2 Gilson § 5.19[3][a] at 5-220. It does not state the converse—that the Section 1127 definition incorporates the civil provision's definition. We reject

⁷ The Joint Statement continues:

The proposed act defines "counterfeit mark" in two places—in the criminal code amendment, proposed 18 U.S.C. 2320(d), and in the Lanham Act amendment, proposed 15 U.S.C. 1116(d)(1)(B). . . . For technical reasons, the two definitions of "counterfeit mark" differ slightly in their terms, but they are identical in substance. The Lanham Act already contains a definition of the term "counterfeit": a "spurious mark which is identical with, or substantially indistinguishable from, a registered mark." 15 U.S.C. 1127 [sic]. Because it is part of the Lanham Act, the definition of "counterfeit mark" contained in proposed subsection 1116(1)(B) incorporates the section 1127 definition.

Joint Statement at H12078, *reprinted in* 7 McCarthy at App. A8-9.

the contrary conclusions of other authorities. See *United States v. 1,234 Watches*, No. CV-00-11782, Doc. No 46, slip op. at 20-21 (C.D. Cal. Jan. 16, 2002) (unpublished) (concluding that watches bearing the mark "TOMMY" were not subject to forfeiture as counterfeit under 19 U.S.C. §1526(e) because Tommy Hilfiger did not manufacture watches or related goods at the time of seizure) (citing 4 McCarthy § 25:15; *Playboy Enters. v. Universal Tel-A-Talk Inc.*, 48 U.S.P.Q. 2d 1779, 1782 & n.8 (E.D. Pa. 1998)); *Ross II*, 18 C.I.T. at 986.

We decline to narrow the definition of counterfeit contained in 15 U.S.C. § 1127 beyond its plain meaning simply because much of the litigation and academic discussion regarding counterfeit goods arises in the context of the civil and criminal provisions of the 1984 Act, statutes that are not at issue here.

D. "Right in Gross"

The district court granted summary judgment to Able Time in large part because it believed that the government's interpretation ran afoul of the principle that a trademark is not a "right in gross." See 4 McCarthy § 24:11. This principle holds that a registered trademark can be used by someone other than its owner so long as the use does not confuse the public, because trademarks are tied to their use on products and do not exist in the abstract. See *id.* The statutory scheme at issue here sufficiently connects the marks and the goods on which they are used. The offending merchandise must "copy or simulate" a

registered mark, 15 U.S.C. § 1124, which means that the watches must be likely to cause confusion in order for a civil penalty to apply. See 19 C.F.R. § 133.22(a); *supra* Part II.B. This requirement prevents a step backwards towards a “right in gross” theory of trademark because it requires the owner to use the registered mark. If the owner did not use the mark, then the public would be unlikely to confuse it with the offending mark. Accordingly, even under the government’s theory of the case, a trademark is still a “right appurtenant to an established business or trade in connection with which the mark is employed,” not a “right in gross or at large.” *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 97 (1918).

E. Chevron Deference

Because the statutes at issue are not ambiguous, we decide this case without giving deference to the government agency. See *Chevron*, 467 U.S. 837, 843 (1984). But even if the statutes were ambiguous, Customs would not be entitled to *Chevron* deference because its position is not the product of sufficiently careful, consistent, or formal procedures “tending to foster the fairness and deliberation that should underlie a pronouncement of [legal] force.” See *United States v. Mead Corp.*, 533 U.S. 218, 228, 230 (2001). Customs has not pointed to any regulation, ruling, directive, notice, or other agency determination that formally resolves—or even directly addresses—whether the statutes at issue require an identity of goods or services. The regulations upon which Customs relies track the

language of the applicable statutes. *See* 19 C.F.R. §§ 133.21, 133.27. If the statutes were ambiguous, the regulations would be just as ambiguous. Customs is merely advancing a litigation position. *See United States v. Trident Seafoods Corp.*, 60 F.3d 556, 559 (9th Cir. 1995) ("No deference is owed when an agency has not formulated an official interpretation of its regulation, but is merely advancing a litigation position."); *accord Rhodes-Bradford v. Keisler*, 507 F.3d 77, 80 (2d Cir. 2007). Accordingly, Customs's position is due no *Chevron* deference.

F. Remand

We remand for the district court to determine whether (1) the mark on the watches is identical to or substantially indistinguishable from the registered mark pursuant to 15 U.S.C. § 1127, and (2) whether the offending mark copies or simulates the registered mark pursuant to 15 U.S.C. § 1124, which amounts to the traditional likelihood of confusion test for infringement. *See supra* Part II.B.

Able Time repeatedly cites *Montres Rolex, S.A., v. Snyder*, 718 F.2d 524, 532 (2d Cir. 1983), for the proposition that Customs must compare the registered mark as it appears on actual merchandise with the allegedly counterfeit mark on the watches. *Montres Rolex* does not stand for this proposition. While comparing actual products is preferred, *Montres Rolex* explicitly provided that a comparison to the registration information alone could be sufficient. *Id.* ("We see no reason why a trademark owner would not eagerly cooperate with Customs [by

providing product samples with authentic marks], and even if the owner failed to do so after receiving notice of the seizure, Customs could still make its determination based on the mark as registered."). While *Montres Rolex* rejected a comparison to the registration information in that particular case, it did not establish a categorical rule. On remand, the factfinder may compare the offending mark to the mark on the registration certificate, or the district court may admit additional product samples bearing the registered mark into evidence.

III. Conclusion

We hold that Customs may impose a civil penalty pursuant to 19 U.S.C. § 1526(f) upon an importer of merchandise bearing a counterfeit mark, even though the owner of the registered mark does not manufacture the same type of merchandise.

REVERSED and REMANDED.

APPENDIX B

B-1

UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

FILED

Dec 22 2008

Molly C Dwyer, Clerk
U.S. Court of Appeals

UNITED STATES OF AMERICA,
Plaintiff - Appellant,
v.
ABLE TIME, INC., a California corporation,
Defendant - Appellee.

No. 06-56033
D.C. No. CV-04-02695-RMT
Central District of California, Los Angeles

ORDER

Before: TROTT, CLIFTON and CALLAHAN,
Circuit Judges

Judges Clifton and Callahan have voted to deny the petition for rehearing en banc, and Judge Trott so recommends.

The full court has been advised of the petition for rehearing en banc and no judge of the court has requested a vote on whether to rehear the matter en banc. Fed. R. App. P. 35.

The petition for rehearing en banc, filed November 24, 2008, is DENIED.

APPENDIX C

C-1

UNITED STATES DISTRICT COURT
FOR THE CENTRAL DISTRICT OF CALIFORNIA

FILED
CLERK, U.S. DISTRICT COURT
May 22, 2006
CENTRAL DISTRICT OF CALIFORNIA
BY /s/ (initials) DEPUTY

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JS-2/JS-3	_____

DOCKETED ON CM MAY 23 2006 BY <u>/s/ SB</u> 004

UNITED STATES OF AMERICA
Plaintiff,

v.

ABLE TIME, INC., a California corporation,
Defendant.

ABLE TIME, INC., a California corporation,
Counter-Claimant,

v.

UNITED STATES OF AMERICA
Counter-Defendant.

CASE NO. CV 04-2695 RMT (JWJx)

**FINDINGS OF FACT AND
CONCLUSIONS OF LAW**

In July 2004, Defendant sought summary judgment on the complaint in this matter on the basis that Plaintiff had no cause of action against it under 19 U.S.C. §1526 because the seized watches were not counterfeit. In December 2004, the court denied Defendant's motion. However, in reviewing the three subsequently filed motions for summary judgment in the case, the court found that its earlier ruling might be untenable and, therefore issued an order to show cause why the court should not reconsider its December 2004 order. The court, having considered the pleadings and other papers filed in this matter, makes these findings of facts and conclusions of law.

FINDINGS OF FACT

1. Plaintiff is the United States of America. Defendant is Able Time, Inc., a California corporation.
2. In April 1999, the U.S. Customs and Border Protection ("Customs") detained a shipment of watches imported by Defendant on the basis that the watches bore the mark "Tommy", a registered trademark of Tommy Hilfiger Licensing, Inc. ("Tommy Hilfiger"). In May 1999, the watches were seized pursuant to 19 U.S.C. §1526.
3. On September 3, 1996, Tommy Hilfiger registered the mark "Tommy" with the U.S. Patent and Trademark Office in International

Class 3: Cosmetics, cologne, cologne spray, soaps, deodorants. In November 1999, Tommy Hilfiger applied to register the mark "Tommy" in International Class 14 which includes watches. The application was granted and the mark was registered in International Class 14 in September 2002.

4. At the time of the seizure, Tommy Hilfiger did not make watches and the mark Tommy" was not registered in International Class 14.
5. In April 2004, Plaintiff filed this civil penalty action against Defendant for \$32,940.00 pursuant to 19 U.S.C. §§1526(a), (e), and (f) and 15 U.S.C. §§1124 and 1125(b).
6. All conclusions of law that are deemed to be facts are incorporated herein.

CONCLUSIONS OF LAW

1. This court has subject matter jurisdiction to 28 U.S.C. §§1331, 1345, 1355.
2. Summary judgment is appropriate where "there is no genuine issue as to any material fact and the moving party is entitled to judgment as a matter of law."¹
3. The Tariff Act of 1930, as codified in 19 U.S.C. §1526(a), prohibits the unauthorized

¹ Fed. R. Civ. P. 57(c).

importation of goods bearing a registered trademark:

[I]t shall be unlawful to import into the United States any merchandise of foreign manufacture if such merchandise, or the label, sign, print, package, wrapper, or receptacle, bears a trademark owned by a citizen of, or by a corporation or association created or organized within, the United States, and registered in the Patent and Trademark Office by a person domiciled in the United States ...unless written consent of the owner of such trademark is produced at the time of making entry.

4. This court's December 2004 ruling relied on the broad language set forth in §1526(a). However, it is now clear to this court that such authority does not address the issue at hand, namely whether a penalty can be imposed against Defendant pursuant to 19 U.S.C. §1526(f), a penalty which can only be triggered by a violation of §1526(e).
5. Section 1526(e) of Title 19 of the United States Code provides for the seizure and forfeiture of merchandise bearing a counterfeit mark:

Any such merchandise bearing a counterfeit mark (within the

meaning of section 1127 of Title 15) imported into the United States in violation of the provisions of section 1124 of Title 15,² shall be seized and, in the absence of the written consent of the trademark owner, forfeited for violations of the customs laws.

5. Where such a seizure occurs, section 1526(f) of the statute authorizes the issuance of civil penalties against those who import such merchandise.
6. As defined in section 1127 of Title 15: "A 'counterfeit' is a spurious mark which is identical with, or substantially indistinguishable from, a registered mark." In assessing whether merchandise bears a counterfeit mark, the mark is not considered in isolation. Rather, the determination turns on the merchandise with which the mark is linked. A trademark is not a "right in gross."³
6. [sic] Counterfeit goods are separate and distinct

² Section 1124 of Title 15 reads in pertinent part: "no article of imported merchandise...which shall copy or simulate a trademark registered in accordance with the provisions of this Act...shall be admitted to entry at any customhouse of the United States...."

³ 4 J. Thomas McCarthy, *McCarty on Trademarks and Unfair Competition* §24.11 (4th ed. 1996)

from “merely infringing” goods.⁴ “Often, counterfeit merchandise is made so as to imitate a well-known product in all details of construction and appearance so as to deceive customers into thinking they are getting genuine merchandise.”⁵ They “not only infringe but in addition are such close copies that they amount to counterfeits.”⁶ In contrast, “merely infringing” or “related” goods “are not counterfeits but bear marks likely to cause public confusion.”⁷ “If a likelihood of confusion exists...use of the marks would constitute trademark infringement, but not [necessarily] a

⁴ *Ross Cosmetics Distribution Ctrs.*, 18 C.I.T. 979, 984-985 (Ct. Int'l Trade 1994). The government's assertion in its reply to the order to show cause that this case is inapposite because it “dealt solely with 15 U.S.C. §1124” is incorrect. The case involved, amongst other issues, the Court of International Trade's review of a pre-importation ruling by Customs that bath and fragrance oil products packaged similarly to products with valid trademark registrations would be subject to seizure and forfeiture under 19 U.S.C. §1526(c). Moreover, the Court of International Trade's discussion of 15 U.S.C. §1124 is hardly irrelevant in light of the fact that §1526(e) explicitly targets merchandise bearing a counterfeit mark “imported into the United States in violation of the provisions of section 1124 of Title 15.”

⁵ *McCarthy* at § 25.10.

⁶ *Motres Rolex v. Snyder*, 718 F.2d 524, 528 (2nd Cir. 1983).

⁷ *Id.*; *Ross Cosmetics Distribution Ctrs.*, 18 C.I.T. at 984.

counterfeit use of the marks.”⁸

7. Plaintiff does not dispute that the watches seized by Customs were not counterfeit. Instead, Plaintiff asserts that a penalty can be imposed under §1526(f) because the watches constitute related goods.⁹ Specifically, Plaintiff maintains that “[a] reasonable consumer would likely confuse the “Tommy” watches as having come from Tommy Hilfiger” because “Tommy Hilfiger’s name was also widely connected with fashion items and accessories.”¹⁰
8. As noted by the Court of International Trade in *Ross Cosmetics Distribution Centers v. United States*, there is an important distinction between counterfeit and merely infringing goods—only counterfeit goods must be seized and forfeited pursuant to 19 U.S.C. §1526(e).¹¹ Thus, because only counterfeit goods can be seized and forfeited pursuant to 19 U.S.C. §1526(e), only

⁸ *Ross Cosmetics Distribution Ctrs*, 18 C.I.T. at 986.

⁹ Plaintiff’s primary argument in opposition to reconsideration is that the status of the merchandise is irrelevant under §1526 because the question is whether the mark alone is counterfeit. As discussed above, this argument is unavailing because a trademark is not a “right in gross.”

¹⁰ Government’s Response to Order to Show Cause at 6:¶16-22.

¹¹ *Id.* At 985.

counterfeit goods will trigger the penalties authorized by §1526(f).

9. Because Tommy Hilfiger did not make watches at the time of the seizure, the watches Defendant sought to import did not "imitate a well-known product." As such, they cannot be characterized as counterfeit. Accordingly, they are not subject to seizure and forfeiture pursuant to 19 U.S.C. §1526(e) and a penalty under §1526(f) cannot be imposed.
10. Summary judgment on the complaint is warranted in this case because there are no genuine issues of fact remaining and Defendant has conclusively shown that it is entitled to judgment as a matter of law.
11. All statements of uncontroverted facts that are deemed to be conclusions of law are incorporated herein.

DATED: May 22, 2006

/s/ ROBERT M. TAKASUGI
ROBERT M. TAKASUGI
United States Senior
District Judge

UNITED STATES DISTRICT COURT
FOR THE CENTRAL DISTRICT OF CALIFORNIA

FILED
CLERK, U.S. DISTRICT COURT
May 22, 2006
CENTRAL DISTRICT OF CALIFORNIA
BY /s/ (initials) DEPUTY

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DOCKETED ON CM
MAY 23 2006
BY /s/ SB 004

UNITED STATES OF AMERICA
Plaintiff,

v.

ABLE TIME, INC., a California corporation,
Defendant.

ABLE TIME, INC., a California corporation,
Counter-Claimant,

v.

UNITED STATES OF AMERICA
Counter-Defendant.

CASE NO. CV 04-2695 RMT (JWJx)

**ORDER (1) VACATING DECEMBER 16, 2004
ORDER DENYING DEFENDANT'S MOTION
FOR SUMMARY JUDGMENT AND (2) GRANT-
ING DEFENDANT'S JULY 2004 MOTION FOR
SUMMARY JUDGMENT**

This matter is before the court on the court's own motion to reconsider its December 16, 2004 order denying Defendant Able Time's July 2004 motion for summary judgment. The court, having considered the pleadings and other papers filed in this matter, and having issued findings of facts and conclusions of law concurrently herewith,

IT IS ORDERED that the Court's December 16, 2004 order denying Defendant Able Time's July 2004 Motion for Summary Judgment is VACATED.

IT IS FURTHER ORDERED that Defendant's July 2004 Motion for Summary Judgment on the complaint is GRANTED.

DATED: May 22, 2006

/s/ ROBERT M. TAKASUGI
ROBERT M. TAKASUGI
United States Senior
District Judge

No. 08-1201

In the Supreme Court of the United States

ABLE TIME, INC., PETITIONER

v.

UNITED STATES OF AMERICA

ON PETITION FOR A WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

BRIEF FOR THE UNITED STATES IN OPPOSITION

JOANNE M. HALLEY
JENNIFER A. ORNELAS
KRISTINE E. KING
Attorneys
U.S. Customs and Border
Protection
Department of Homeland
Security
Long Beach, CA 90832

ELENA KAGAN
Solicitor General
Counsel of Record
TONY WEST
Assistant Attorney General
ANTHONY J. STEINMEYER
CHARLES E. MULLINS
JOSHUA B. BRADY
Attorneys
Department of Justice
Washington, D.C. 20530-0001
(202) 514-2217

QUESTION PRESENTED

Whether Section 526 of the Tariff Act of 1930, 19 U.S.C. 1526, authorizes a civil penalty for importation of merchandise bearing a counterfeit trademark when the owner of the mark does not manufacture the same type of merchandise.

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In the Supreme Court of the United States

No. 08-1201

ABLE TIME, INC., PETITIONER

v.

UNITED STATES OF AMERICA

*ON PETITION FOR A WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT*

BRIEF FOR THE UNITED STATES IN OPPOSITION

OPINIONS BELOW

The opinion of the court of appeals (Pet. App. A1-A26) is reported at 545 F.3d 824. The opinion of the district court (Pet. App. C1-C8) is unreported.

JURISDICTION

The judgment of the court of appeals was entered on September 25, 2008. A petition for rehearing was denied on December 22, 2008 (Pet. App. B1). The petition for a writ of certiorari was filed on March 23, 2009 (Monday). The jurisdiction of this Court is invoked under 28 U.S.C. 1254(1).

STATEMENT

1. Petitioner is a California corporation that imports products on a wholesale basis. In 1999, the Customs Service (now Customs and Border Protection, part of

the Department of Homeland Security) (Customs) seized a shipment of watches that petitioner was importing into the United States. Pet. App. A1-A2. The watches bore the mark "TOMMY," which is a registered trademark owned by Tommy Hilfiger Licensing, Inc. (Tommy Hilfiger). *Id.* at A2.

At the time of the seizure, the "TOMMY" mark was registered in International Class 3, which covers cosmetics, cologne, and aftershave. Pet. App. A4; see 37 C.F.R. 2.85(a), 6.1(3). The mark was not registered in International Class 14, which covers watches, and Tommy Hilfiger did not make watches at the time of the seizure. Pet. App. A4; see 37 C.F.R. 6.1(14). Shortly after the seizure, Tommy Hilfiger registered the "TOMMY" mark in International Class 14, and the company now makes and sells watches bearing the mark. Pet. App. A4.

2. The government instituted proceedings against the watches under Section 526 of the Tariff Act of 1930, 19 U.S.C. 1526. Merchandise manufactured abroad that bears a registered and recorded trademark may not be imported into the United States without the permission of the trademark owner. 19 U.S.C. 1526(a). If the merchandise bears a "counterfeit mark," it is subject to seizure and civil forfeiture, and its importer is liable for a civil penalty:

Any such merchandise [of foreign manufacture] bearing a counterfeit mark (within the meaning of [15 U.S.C. 1127]) imported into the United States in violation of the provisions of [15 U.S.C. 1124], shall be seized and, in the absence of the written consent of the trademark owner, forfeited for violations of the customs laws.

19 U.S.C. 1526(e); see 19 U.S.C. 1526(f) (civil penalties). The amount of the penalty is within Customs' discretion, 19 U.S.C. 1526(f)(4), subject to certain limits:

For the first such seizure, the fine shall be not more than the value that the merchandise would have had if it were genuine, according to the manufacturer's suggested retail price, determined under regulations promulgated by the Secretary.

19 U.S.C. 1526(f)(2).

Section 1526(e), the seizure and forfeiture provision, refers to two provisions of the Lanham Act, 15 U.S.C. 1051 *et seq.* To define the term "counterfeit mark," the Tariff Act incorporates 15 U.S.C. 1127, which provides that "[a] 'counterfeit' is a spurious mark which is identical with, or substantially indistinguishable from, a registered mark." To describe the merchandise whose seizure triggers imposition of a civil penalty, the Tariff Act cites 15 U.S.C. 1124, which provides:

Except as provided in [19 U.S.C. 1526(d)], no article of imported merchandise which shall copy or simulate the name of any domestic manufacture, or manufacturer * * * or which shall copy or simulate a trade-mark registered in accordance with the provisions of [the Lanham Act] * * * shall be admitted to entry at any customhouse of the United States.

Ibid.

3. Following the seizure of petitioner's imported merchandise, the United States instituted an *in rem* civil forfeiture proceeding against the watches, as well as a similar shipment of watches that bore an allegedly counterfeit mark registered to Guess?, Inc. The civil forfeiture complaint was dismissed on grounds of defective service because Customs' lack of funding prevented

it from effecting publication notice until 76 days after the complaint was filed. See *United States v. 2,164 Watches, More or Less, Bearing a Registered Trademark of Guess?, Inc.*, 366 F.3d 767, 770 (9th Cir. 2004). The statute of limitations had run before the government could re-file, and the government accordingly returned nearly all of the watches. Pet. App. A5.

The government next initiated a civil-penalty action under 19 U.S.C. 1526(f). Pet. App. A5. Petitioner counterclaimed, arguing that the civil-penalty provision is unconstitutional. See *United States v. Able Time, Inc.*, No. CV-04-2695-RMT, 2004 WL 5573444, at *1 n.2 (C.D. Cal. Dec. 16, 2004).

Petitioner moved for summary judgment. The district court initially denied that motion, holding that a reasonable jury could find that the watches bore a counterfeit mark. *Able Time*, 2004 WL 5573444, at *2. The district court subsequently granted reconsideration *sua sponte*, however, and entered summary judgment for petitioner. Pet. App. C1-C10. The court concluded that, "[b]ecause Tommy Hilfiger did not make watches at the time of the seizure, the watches [petitioner] sought to import did not 'imitate a well-known product.' As such, they cannot be characterized as counterfeit. Accordingly, they are not subject to seizure and forfeiture pursuant to 19 U.S.C. §1526(e) and a penalty under § 1526(f) cannot be imposed." *Id.* at C8.

4. The court of appeals reversed and remanded. Pet. App. A1-A26.

The court of appeals held that the plain language of the statute does not require an "identity of goods or services," *i.e.*, a showing that the owner of the mark makes the same kind of goods as the goods bearing the counterfeit mark. Pet. App. A3. The court explained that no

such requirement appears in either the pertinent provision of the Tariff Act, 19 U.S.C. 1526, or the two provisions of the Lanham Act that the Tariff Act incorporates or cites, 15 U.S.C. 1127 and 1124. Pet. App. A8-A9. Although the penalty provision of the Tariff Act, 19 U.S.C. 1526(f), refers to the value of "genuine" merchandise, the court of appeals concluded that the statute did not thereby require proof that the trademark owner manufactured a genuine version of the specific goods bearing the counterfeit mark. Pet. App. A11-A12. The court observed that the reference to "genuine" merchandise appears in a provision that "affects the calculation of the civil penalty, not the initial determination of whether a penalty should apply." *Id.* at A11. The court noted as well that "on its face, the language of 19 U.S.C. § 1526(f)(2) does not require the genuine merchandise to be manufactured by the trademark owner," and that "the term 'genuine' could refer to genuine name-brand [goods] generally." *Id.* at A12.

The court of appeals concluded that other indicia of congressional intent were consistent with the most natural reading of the statutory text. Pet. App. A13-A23. The court explained that some other intellectual-property statutes do contain an "identity of goods or services" requirement, and that "[t]he sequence of enactments of and amendments to the relevant statutes strongly supports the inference that the omission of an identity of goods or services requirement from the Tariff Act was intentional." *Id.* at A13. The court of appeals noted that Congress has enacted both civil and criminal statutes that contain an "identity of goods or services requirement," while leaving unchanged the Tariff Act and Lanham Act provisions that govern this case. *Id.* at A15-A17. The court of appeals also reviewed the legisla-

tive history of both the seizure provision and the civil-penalty provision, and it discerned no congressional intent to limit those provisions' application to cases involving the same goods as those manufactured by the trademark owner. *Id.* at A17-A19.

Finally, the court of appeals concluded that its interpretation of the Tariff Act does not give trademark owners a "right in gross." Pet. App. A23-A24. The court acknowledged the general principle of trademark law that "a registered trademark can be used by someone other than its owner so long as the use does not confuse the public." *Id.* at A23. The court explained that, under the relevant statutory provisions, "[t]he offending merchandise must 'copy or simulate' a registered mark," meaning that "the watches must be likely to cause confusion in order for a civil penalty to apply." *Id.* at A23-A24.

The court of appeals remanded the case to the district court to determine whether the mark on petitioner's watches meets the definition of a "counterfeit" of Tommy Hilfiger's mark, and if so, "whether [petitioner's] mark copies or simulates the registered mark," under the "traditional" test for "likelihood of confusion." Pet. App. A25. The court also left open a potential challenge to the methodology by which the civil penalty was calculated. *Id.* at A12 n.2.

5. In the remand proceedings in the district court, petitioner and the government have stipulated to the reinstatement of petitioner's counterclaim challenging the civil-penalty statute. The district court had previously dismissed that counterclaim without prejudice when it granted summary judgment against the government on the civil-penalty claim. See CV-04-2695-RMT Order Regarding Counterclaim (C.D. Cal. Apr. 13, 2009).

ARGUMENT

The decision of the court of appeals is correct and does not conflict with any decision of this Court or any other court of appeals. The plain text of the relevant statutes refutes petitioner's attempt to narrow the term "counterfeit mark." Nothing in the Tariff Act, the Lanham Act, their legislative history, or general principles of trademark law supports petitioner's argument that it was free to import any item bearing the "TOMMY" mark as long as Tommy Hilfiger did not yet make the same item.

The Tariff Act is primarily intended to protect the interests of the buying public, while the Lanham Act is primarily intended to protect the interests of the trademark owner. The Tariff Act directs Customs to seize goods that bear a counterfeit mark so that the public can be assured that products appearing on the market are correctly labeled. In contrast, the Lanham Act empowers trademark owners to obtain injunctive relief and damages for infringing uses of their mark by another person. The decision below accurately reflects the Tariff Act's distinct role.

1. The court of appeals correctly held that the Tariff Act authorizes a civil penalty for the importation of merchandise bearing a counterfeit mark regardless of whether the trademark owner manufactures the same type of merchandise at the time of the importation. Pet. App. A26. Contrary to petitioner's contentions (Pet. 12), that holding is consistent with the decisions of this Court.

a. Section 1526 authorizes seizure, forfeiture, and a civil penalty when a person imports "merchandise bearing a counterfeit mark." 19 U.S.C. 1526(e) and (f); see 19 U.S.C. 1526(a). Those provisions do not require the

government to prove that the *merchandise* is "counterfeit" or that the trademark owner makes and sells the same kind of merchandise. Nor does the applicable statutory definition of "counterfeit" impose such a requirement. "A 'counterfeit' is a spurious mark which is identical with, or substantially indistinguishable from, a registered mark." 15 U.S.C. 1127. And "[t]he term 'registered mark' means a mark registered in the United States Patent and Trademark Office under [the Lanham Act or three other trademark statutes]." *Ibid.* Thus, both the Tariff Act and the definition of "counterfeit" that the Tariff Act incorporates focus on the "mark" that appears on the merchandise, not the "merchandise" bearing the mark.

Petitioner has never contended that it was entitled to summary judgment on the question whether the "TOM-MY" logo on its goods was "spurious" or "substantially indistinguishable from" Tommy Hilfiger's mark. Nor does petitioner dispute that Tommy Hilfiger's mark is a registered mark. See Pet. App. C2-C3. The court of appeals therefore correctly determined that petitioner had not shown beyond factual dispute that its mark was *not* a "counterfeit mark" subject to a civil penalty.

Petitioner contends (Pet. 14-15) that the Lanham Act's definitions of "registered mark," "mark," and "trademark" incorporate an identity-of-goods requirement. But the provisions that petitioner cites, 15 U.S.C. 1051 and 1057, are not referred to in the definitions that are in turn incorporated into the Tariff Act. Rather, Sections 1051 and 1057 concern the requirements for registering a mark and obtaining a certificate of registration. Neither the definition of "counterfeit" nor the reference to a "registered mark" in Section 1127 can be said to incorporate all elements of the registration pro-

cedure. For a mark to be a "counterfeit" under Section 1127, it need only be "spurious" and substantially indistinguishable from a registered mark.

b. Although Section 1526 and the incorporated provisions of the Lanham Act do not contain any "identity of goods or services" requirement, Congress has expressly incorporated such a requirement into other statutes. See, *e.g.*, 15 U.S.C. 1116(a) and (d)(1)(B)(i); 18 U.S.C. 2320(a) and (e)(1)(A)(iii). In adding these provisions to the Lanham Act and the Criminal Code in 1984, see Pet. App. A15, Congress did not change the definitional provisions of the Lanham Act or the seizure and forfeiture provisions of the Tariff Act. And when Congress later revisited the Tariff Act to add the civil-penalty provision at issue here, it once again did not incorporate the identity-of-goods requirement. See *id.* at A15-A16. As the court of appeals recognized, Congress's inclusion of identity-of-goods requirements in other parts of the statutory scheme, combined with its failure to add such a requirement to the Tariff Act and Lanham Act provisions at issue here, "supports the inference that the omission of such a requirement from those provisions was intentional." *Id.* at A16.¹

¹ In the court of appeals, petitioner relied in part on the fact that the maximum civil penalty is set by reference to "the value that the merchandise would have had if it were genuine, according to the manufacturer's suggested retail price [MSRP], determined under regulations promulgated by the Secretary" of the Treasury. 19 U.S.C. 1526(f)(2); see Pet. App. A12. Petitioner contended that Section 1526(f)(2)'s reference to the retail price charged for genuine merchandise "shows that Congress intended to require the owner of the registered mark to manufacture the same goods as those bearing the offending mark." *Ibid.* In this Court, petitioner argues only that the court of appeals' decision will make civil penalties difficult to calculate if there is no genuine article with an MSRP. Pet. 26-27. As the court of appeals explained, how-

c. The legislative history of Section 1526 also supports the conclusion that Congress did not intend to require that the mark owner make the same merchandise as that bearing a counterfeit mark before Customs could issue a civil penalty. The legislative history of Section 1526(e), the seizure provision, refers to "counterfeit marks" rather than to "counterfeit goods." H.R. Rep. No. 1517, 95th Cong., 2d Sess. 17 (1978). The legislative history of Section 1526(f), the civil penalty provision, describes the problems posed by goods with counterfeit marks and explains that consumers who purchase those products (which are generally substandard) will likely blame the mark's owner, thus costing the owner not only that sale but future sales as well. See H.R. Rep. No. 556, 104th Cong., 2d Sess. 1-4 (1996).

By contrast, petitioner's interpretation of the Tariff Act would create a loophole in the law's protection against consumer confusion and fraud by allowing counterfeiters to place counterfeit marks on any type of merchandise not made by the owner of the mark at that time. Even when Tommy Hilfiger did not produce watches, members of the consuming public may have purchased petitioner's watches only because they believed that the watches were made by Tommy Hilfiger. Under petitioner's reading of the statute, counterfeiters could usurp the mark owner's goodwill and use it as a springboard into the market. The legislative history provides no indication that Congress intended such a counterintuitive result.

ever, Customs has properly used its interpretive authority to arrive at a method for determining "the value that the merchandise would have had if it were genuine" without the benefit of an MSRP. See Pet. App. A12 & n.2.

2. The decision below is the first reported appellate decision to address the question presented under the Tariff Act. Although petitioner contends (Pet. 16) that the court of appeals' decision conflicts with "trademark case law" in other circuits, the cases it cites involve other statutes that include limiting language that does not appear in the Tariff Act.² In the absence of a circuit conflict on the statutory question presented here, further review is not warranted.

a. Citing numerous cases, petitioner contends (Pet. 16-24) that trademark protection is tied to a specific product for which the mark has been registered. Petitioner argues (Pet. 19) that the decision below "protects marks (in isolation), not goods" and "is a radical departure from this principle as enunciated in other courts of appeals." But the cases on which petitioner relies involve either (1) private infringement cases arising under the Lanham Act,³ or (2) criminal cases arising under

² Petitioner also contends that the ruling below conflicts with a decision of the Court of International Trade (CIT) involving allegedly counterfeit marks. Pet. 25-26 (citing *Ross Cosmetics Distribution Ctrs., Inc. v. United States*, 18 Ct. Int'l Trade 979, 986 (1994)) (*Ross*). The CIT's decision in *Ross* was not appealed to the Federal Circuit, and that court has not adopted the CIT's reasoning. In any event, *Ross* did not involve the question presented here. *Ross* was importing fragrance oil that invited consumers to "COMPARE TO" another company's well-known, trademarked fragrance. 18 Ct. Int'l Trade at 979-980, 982. The CIT concluded that *Ross*'s products were not counterfeit, but the court held that they were subject to seizure and forfeiture on another ground. *Id.* at 986, 989-990. The decision in *Ross* will not affect the disposition of civil-penalty actions under the Tariff Act because the CIT lacks jurisdiction to hear challenges to such penalties. *Sakar Int'l, Inc. v. United States*, 516 F.3d 1340, 1346-1350 (Fed. Cir.), cert. denied, 129 S. Ct. 488 (2008).

⁴ E.g., *Rolex Watch USA, Inc. v. Meece*, 158 F.3d 816 (5th Cir. 1998), cert. denied, 526 U.S. 1133 (1999); *General Elec. Co. v. Speicher*,

18 U.S.C. 2320.⁴ As noted above, Congress included in those statutes an explicit "identity of goods" requirement. Because this case involves the application of different statutory provisions that contain no such requirement, petitioner's reliance on those decisions is misplaced.

Petitioner argues (Pet. 22) that the definition of "counterfeit" in Section 1127 is meant to be "interchangeabl[e]" with other trademark provisions defining the same term. But as noted above, the Lanham Act's civil-enforcement provision contains its own definition of "counterfeit mark," 15 U.S.C. 1116(d)(1)(B), and other provisions of the Lanham Act relating to private rights of action expressly incorporate that definition rather than the one in Section 1127 that is at issue here. See, e.g., 15 U.S.C. 1117(b). Neither of the cases petitioner cites actually holds that Section 1127 implicitly includes the same limitation that appears explicitly in Section 1116(d)(1)(B)(i).⁵

b. Contrary to petitioner's assertion (see Pet. 10-11, 18-20), the court of appeals clearly did not treat the Tariff Act or Customs' enforcement policy as conferring a "right in gross." As the court of appeals explained (Pet. App. A23-A24), Customs' enforcement of Section

877 F.2d 531 (7th Cir. 1989); *Levi Strauss & Co. v. Blue Bell, Inc.*, 778 F.2d 1352 (9th Cir. 1985) (en banc).

⁴ E.g., *United States v. Giles*, 213 F.3d 1247 (10th Cir. 2000); *United States v. Hon*, 904 F.2d 803 (2d Cir. 1990).

⁵ See *Babbitt Elecs., Inc. v. Dynascan Corp.*, 38 F.3d 1161, 1181 & nn.5-6 (11th Cir. 1994) (examining whether the defendant knew that the mark was counterfeit, not whether the definition of "counterfeit" was satisfied); *Meece*, 158 F.3d at 826-827 (treating Section 1116(d)(1)(B)'s definition of "counterfeit mark" as incorporating Section 1127's definition of "counterfeit," not vice versa).

1526(e) and (f) involves two determinations. First, Customs determines whether the imported merchandise bears a "counterfeit mark" as defined by 15 U.S.C. 1127. Second, if so, Customs determines whether that merchandise is being imported in violation of 15 U.S.C. 1124, *e.g.*, for copying or simulating a registered trademark.

Customs defines a "copying or simulating" trademark as "one which may so resemble a recorded mark or name as to be likely to cause the public to associate the copying or simulating mark or name with the recorded mark or name." 19 C.F.R. 133.22(a). Even if an importer uses a mark that is identical to a registered mark, Customs must determine that the use of the mark in a particular case is "likely to cause confusion in order for a civil penalty to apply." Pet. App. A24. Thus, "even under the government's theory of the case, a trademark is still a 'right appurtenant to an established business or trade in connection with which the mark is employed.'" *Ibid.* (quoting *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 97 (1918)).

Furthermore, because the two determinations are separate, petitioner is incorrect in its assertion (Pet. 17) that the court of appeals "collapsed the distinction between counterfeits and infringing goods." Customs must first determine whether the mark on the imported merchandise is counterfeit, as defined in 15 U.S.C. 1127, before considering whether importation of the merchandise violates 15 U.S.C. 1124. See, *e.g.*, *Montres Rolex, S.A. v. Snyder*, 718 F.2d 524, 527-528 (2d Cir. 1983) ("Thus the customs laws and regulations create a two-tier classification scheme. The first category consists of marks which are merely infringements, judged by whether they are likely to cause the public to associate the copying mark with the recorded mark. In the sec-

ond category are those marks which not only infringe but in addition are such close copies that they amount to counterfeits.”), cert. denied, 465 U.S. 1100 (1984); accord *Sakar Int’l, Inc. v. United States*, 516 F.3d 1340, 1346 n.5 (Fed. Cir.), cert. denied, 129 S. Ct. 488 (2008). The court of appeals was discussing the infringement inquiry, not the definition of “counterfeit,” when it analogized the applicable Customs regulation (19 C.F.R. 133.22(a)) to the test for likelihood of confusion discussed in *AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348-349 (9th Cir. 1979). See Pet. App. A9-A11.

3. Petitioner contends (Pet. 24) that the court of appeals’ decision creates a “new system of trademark law.” Contrary to petitioner’s assertion, the decision below is faithful to Congress’s intent that goods may not be imported for sale if they bear counterfeit marks and trade on the mark owner’s goodwill. Petitioner’s criticism of what it describes as “broader protection for trademarks under the Tariff Act” than under the Lanham Act (Pet. 24) reflects nothing more than disagreement with Congress’s decision to impose distinct restrictions on the importation of foreign-manufactured goods bearing counterfeit trademarks.

Contrary to petitioner’s contention (Pet. 27), the decision below will not negatively impact the nation’s commerce. To the contrary, the court of appeals’ holding ensures that forfeiture and civil-penalty proceedings remain available to keep mislabeled (and potentially substandard) goods out of the Nation’s commerce, and to prevent unscrupulous importers from trading upon the goodwill and customer confidence built up by trademark owners. The only reasonable interpretation of petitioner’s conduct is that petitioner sought to exploit Tommy Hilfiger’s good name; petitioner’s actions were not

made less exploitative by the fact that Tommy Hilfiger had not yet begun to manufacture watches bearing the "TOMMY" mark when the importation at issue here occurred.

4. The current interlocutory posture of the case further counsels against this Court's review. Petitioner filed two separate motions for summary judgment; when it prevailed on the one at issue here, the other was dismissed as moot. The court of appeals reversed the ruling granting petitioner summary judgment and remanded for further proceedings "to determine whether (1) the mark on the watches is identical to or substantially indistinguishable from the registered mark * * *, and (2) whether the offending mark copies or simulates the registered mark." Pet. App. A25. If the district court answers those questions in the affirmative, the court must also consider the amount of the civil penalty, including any challenge to the methodology used by Customs in assessing the domestic value of petitioner's watches. *Id.* at A12 & n.2.

Those further proceedings are pending in the district court (although petitioner has sought a stay while its petition for a writ of certiorari is considered). Petitioner has also reinstated its counterclaim challenging the constitutionality of the civil-penalty statute. If petitioner prevails on alternative grounds, this Court's resolution of the question presented would have no practical impact on the disposition of this case.

CONCLUSION

The petition for a writ of certiorari should be denied.
Respectfully submitted.

JOANNE M. HALLEY
JENNIFER A. ORNELAS
KRISTINE E. KING
Attorneys
U.S. Customs and Border
Protection
Department of Homeland
Security

ELENA KAGAN
Solicitor General
TONY WEST
Assistant Attorney General
ANTHONY J. STEINMEYER
CHARLES E. MULLINS
JOSHUA B. BRADY
Attorneys

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REPLY BRIEF

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BRUCE N. SHULMAN
Counsel of Record
ELON A. POLLACK
JULI C. SCHWARTZ

STEIN SHOSTAK SHOSTAK POLLACK & O'HARA, LLP

865 South Figueroa Street, Suite 1388
Los Angeles, California 90017
(213) 630-8888

Attorneys for Petitioner
ABLE TIME, INC.

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BRUCE N. SHULMAN
Counsel of Record
ELON A. POLLACK
JULI C. SCHWARTZ

STEIN SHOSTAK SHOSTAK POLLACK & O'HARA, LLP

865 South Figueroa Street, Suite 1388
Los Angeles, California 90017
(213) 630-8888

Attorneys for Petitioner
ABLE TIME, INC.

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INTRODUCTION

The essential facts are fully set forth in the Petition for Writ of Certiorari. The Brief for the United States in Opposition does not shed new light on the circumstances attending this case, other than Respondent's explanation for its failure to prevail in the forfeiture action against Able Time. Respondent claims that U.S. Customs and Border Protection ("Customs") did not have the monetary resources to comply with the requirements of effective service and the complaint was dismissed (without prejudice) as a result.¹ (See Opp'n Br. at 3-4.) Respondent then represents to the Court that "[t]he statute of limitations had run before the government could re-file." (Opp'n Br. at 4.) In fact, Respondent could have re-filed years before the statute of limitations expired had it done so after the complaint was dismissed. Instead, Respondent chose to appeal the dismissal. Nothing in the record suggests that Respondent was constrained to follow the particular litigation strategy it chose.

¹ Respondent's position is audacious. Respondent waited almost two years to file the forfeiture action and now claims it had no funds to prosecute its case. Respondent was in complete control of its litigation, including the decision when to file it.

ARGUMENT

Respondent does not meaningfully address the salient points raised in the Petition for Writ of Certiorari. Respondent mischaracterizes Able Time's use of authority,² and offers almost no case law of its own to support its novel interpretations of the Lanham Act, Tariff Act and trademark principles at large. It fails to deal with *contra* authority effectively. Finally, Respondent's brief is non-responsive; it

² In addition to the points discussed below, Respondent erroneously claims, for example, that Able Time's citation to *Ross Cosmetics Distrib. Ctrs. v. United States*, 18 Ct. Int'l Trade 979, 986 (1994), stands for the proposition that the Ninth Circuit's decision conflicts with other authority. (Opp'n Br. at 11 n.2.) Actually, the *Ross* decision is cited to demonstrate that lower courts which previously held nonidentical merchandise cannot be counterfeit will now be thrown into confusion.

Other inaccuracies include Respondent's statement that Able Time "only" argues the calculation of a Manufacturer's Suggested Retail Price ("MSRP") penalty is "difficult" where no genuine article exists (Opp'n Br. at 9), when in fact Able Time shows such a calculation is *impossible*; Respondent's unsuccessful retort to Able Time that the Ninth Circuit's decision does not confer "in-gross" rights on trademark holders (Opp'n Br. at 12), nomenclature Able Time does not use in the certiorari petition; and Respondent's muddled explanation of the difference between counterfeits and infringements generally (Opp'n Br. at 13-14), a crucial point that *Able Time* made in the certiorari petition because it renders moot the Ninth Circuit's discussion of the likelihood of confusion test in cases involving noncompeting goods.

either glosses over or ignores entirely many of Able Time's arguments.

Nonetheless, the importance of this case compels Able Time to refute Respondent's objections to granting certiorari. The key points of disagreement are addressed below.

1. Respondent's distinction between the substance of the Lanham Act versus that of the Tariff Act is arbitrary and unfounded.

Respondent begins its brief in earnest by stating, "[t]he Tariff Act is primarily intended to protect the interests of the buying public, while the Lanham Act is primarily intended to protect the interests of the trademark owner." (Opp'n Br. at 7.) Respondent offers no authority whatever for this distinction,³ yet promotes it throughout the brief because the crux of Respondent's attack so firmly depends on reading tried and true trademark principles, which are codified in the Lanham Act (and discussed in *infra* Parts 2-5), out of 19 U.S.C. §1526(e)-(f) (2006).

³ Protecting the consuming public *and* protecting the goodwill of trademark owners are mutual, viable objectives of both statutes. Able Time has never argued against the wisdom of either. Even so, the reverse would be true in Respondent's world because Tariff Act protections apparently would grant an anti-competitive monopoly to trademark owners – a goal that is expressly disavowed in trademark law, *see generally*, e.g., *Clorox Co. v. Sterling Winthrop, Inc.*, 117 F.3d 50 (2d Cir. 1997).

The construction of this dichotomy is misguided. Prior cases involving the interplay between protections of the Lanham and Tariff Acts (cited in the certiorari petition but not addressed in the opposition brief) support Able Time's position that the latter follows federal trademark doctrines set forth in the former. See *Bordeau Bros. v. Int'l Trade Com'n*, 444 F.3d 1317, 1320 (Fed. Cir. 2006) (holding that unfair competition suits under section 337 of the Tariff Act, 19 U.S.C. §1337, apply federal trademark rules); *Premier Dental Products Co. v. Darby Dental Supply Co.*, 794 F.2d 850, 853 (3d Cir. 1986) (stating, in gray market case arising under 19 U.S.C. §1526(a), that this section of the Tariff Act must be "read in conjunction with the trademark law doctrines that determine trademark ownership").

2. Respondent's argument that section 1526(e)-(f) confers rights on trademark owners without regard to the product in question has no merit because trademark rules have always required that marks be tied to certain goods.

Able Time's petition cites several federal appellate cases, early and recent, firmly illustrating that marks in the abstract are not protectable.⁴ (See Cert. Pet. at 10-11, 18-19.) Respondent fails to explain or distinguish these cases in any way, except to cursorily state that they were not brought pursuant to 19 U.S.C. §1526(e)-(f). Considering the uniform applicability of substantive trademark rules (discussed in *supra* Part 1), in contrast to remedies

⁴ A full repetition of these citations is unnecessary here.

(which are not uniform throughout the Lanham and Tariff Acts), Respondent's handling of circuit authority in support of Able Time is inadequate.

Respondent's assertion that 19 U.S.C. §1526(e)-(f) protects marks in isolation is simply untenable because almost all imported goods would be counterfeits subject to these harsh provisions. In cases involving a simple "typed drawing" word mark where color, stylized text or symbols are not features of the mark, there is certain to be at least one trademark holder who already uses that word to describe its product.⁵ Surely there must be *some* connection to particular goods or services.⁶

⁵ Specifically, the "TOMMY" registration is a typed drawing, where the mark is comprised only of the word. The very fact that in 2008, Mattel, Inc. successfully registered an *identical* word mark for dolls, doll clothing and doll accessories (Registration No. 3,474,322) and has the right to record that mark with Customs, proves that Respondent's position is both unworkable and contrary to law. (In addition, there are various typed drawing "Champion" marks registered in different classes; many of these marks have been recorded with Customs.) Taken to its logical conclusion, Respondent's argument would make any import with the name "Champion" or "TOMMY" a counterfeit of *all* these marks.

⁶ Even the related products doctrine, which does not apply in *counterfeit* cases for the reason described in the Petition for Writ of Certiorari, imposes a requirement that the offending mark infringe the owner's rights with respect to goods specified in the registration. To make this showing, the two *products* must be similar.

The counterfeit provisions of 19 U.S.C. §1526(e)-(f), incorporating 15 U.S.C. §1127's definition, follow the same principle: they pertain to merchandise, not marks in isolation. *See Montres Rolex, S.A. v. Snyder*, 718 F.2d 524, 532 (2d Cir. 1983) (stating in 19 U.S.C. §1526(e) context, "[i]t seems safe to assume that counterfeiters copy actual merchandise, not registration certificates.") (emphasis added).

3. Respondent's brief mischaracterizes Able Time's arguments that the Ninth Circuit decision conflicts both with Supreme Court authority and case law in other circuits.

Respondent claims Able Time did not demonstrate that the Ninth Circuit's decision is incompatible with Supreme Court authority and case law in other courts of appeals. Again, however, it is Respondent's contention that lacks support.

First, Respondent does not explain why the canons of statutory construction employed in *United States v. Menasche*, 348 U.S. 528, 537 (1955) (quoting *Montclair v. Ramsdell*, 107 U.S. 147, 152 (1883)), do not apply to 19 U.S.C. §1526(e)-(f) and 15 U.S.C. §1127. The term "counterfeit mark" must be examined in its entirety. Respondent's statement that section 1127 does not reference sections 1051 and 1057 (sections dealing with registration which require, *inter alia*, that registration certificates set forth particular goods and classes of goods) is untrue because section 1127 specifically ties "mark" and "registered mark" to registration under the Lanham Act. 19 U.S.C. §1127. Respondent's conclusion that

section 1127 does not incorporate "all elements of the registration procedure" (see Opp'n Br. at 8), misses the crucial point, which is that a mark *cannot be registered* without first identifying particular goods or services to which the registration will apply.

Second, Respondent's attempt to neutralize Able Time's showing of inter-circuit conflict with respect to the so-called "identity of goods and services" requirement in counterfeit cases apparently consists solely of exaggerating minor differences between 15 U.S.C. §1127 and other statutes concerning counterfeits. This attack is disingenuous. Respondent not only purports to rely on 19 U.S.C. §1127's plain language (which, for the reason discussed, is consistent, not inconsistent, with other Lanham Act sections), but also on the legislative history and congressional intent behind related provisions.

The legislative history, however, supports Able Time. Lawmakers made it clear that the definitions of counterfeit under 15 U.S.C. §1127, 15 U.S.C. §1116 and 18 U.S.C. §2320 are complementary (Cert. Pet. at 21) (citing Joint Congressional Statement on 1984 Trademark Counterfeiting Legislation, 130 Cong. Rec. H12076 (daily ed. Oct. 10, 1984), *reprinted in* 7 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition App. A8-9 (4th ed. 2007)). Respondent simply ignores the impact of the Joint Statement and maintains, without reference to contravening authority, that section 1127's definition of counterfeit differs from other definitions.

This recalcitrance is Respondent's jumping-off point for distinguishing, on the narrowest grounds, appellate cases arising under the respective civil and criminal provisions of the Counterfeit Trademark Act ("CTA"), 15 U.S.C. §1116, 18 U.S.C. §2320. Two CTA cases cited in the certiorari petition, *Babbitt Elecs., Inc. v. Dynascan Corp.*, 38 F.3d 1161, 1181 nn.5-6 (11th Cir. 1994), and *Rolex Watch v. Meece*, 158 F.3d 816, 826 (5th Cir. 1998), refer to section 1127's definition of counterfeit as a parallel definition. Neither contains any hint of the limitations Respondent seeks to impose (e.g., section 1116 incorporates section 1127's definition, not vice versa). (See Opp'n Br. at 12.) Again, Respondent's only real objection appears to be that these cases did not arise under 19 U.S.C. §1526 (e)-(f) (and 15 U.S.C. §1127).

Such rationale, however, is weak. The appositeness of judicial precedent is not restricted only to cases brought under the same statutory cause of action. *Babbitt* and *Meece* are germane because they support the principle for which they are cited in the petition: that other courts of appeals recognize section 1127's definition of counterfeit is synonymous with the CTA's definition(s). As such, the Ninth's Circuit's conclusion that section 1127 is unlike the CTA provisions because it contains no "connection with goods or services" requirement (Pet. App. A at 15-16, 21) is a fiction that stands in conflict with the *reasoning* of other appellate courts.

Finally, Respondent's claim that the Ninth Circuit's decision – more than that of any other circuit, apparently – best reflects the intent of

Congress is without merit. Congress' intent is best served by maintaining a coherent statutory scheme, not by reading essential terms out of the Lanham Act (or reading fictional terms into the Lanham Act and related statutes).

4. Respondent's argument that 19 U.S.C. §1526(e)-(f) alone ensures that Customs will prevent infringing products from entering the commerce of the United States is flatly wrong.

Respondent seems to suggest that 15 U.S.C. §1124 has no teeth without 19 U.S.C. §1526. Section 1124 prevents any article bearing a "copying or simulating mark" from entering the United States. Copying or simulating marks are not necessarily identical or substantially indistinguishable marks – in other words, a copying or simulating mark encompasses all categories of infringement. *See, e.g., Sakar Int'l v. United States*, 516 F.3d 1340, 1346 n.5 (Fed. Cir. 2008); *see also* Importations Bearing Registered and/or Recorded Trademarks or Recorded Tradenames, 19 C.F.R. §133.22 (2008) (imposing a likelihood-of-confusion requirement). Therefore, Respondent's description of the two-part inquiry into whether an item is subject to 15 U.S.C. §1124 actually is inverted. First, Customs must decide whether an item is infringing generally and therefore subject to 15 U.S.C. §1124, and then whether it is *additionally* subject to the harsh provisions of 19 U.S.C. §1526.

Merchandise that is infringing (*i.e.* confusingly similar) but not counterfeit is still plainly inadmissible under 15 U.S.C. §1124 and may be subject to seizure or penalty, *see, e.g.*, 19 U.S.C. §1595a. The suggestion that without 19 U.S.C. §1526 there is no effective means of protecting the public from infringing imports is unfounded.

This case is about *counterfeits*, not other kinds of infringing merchandise. Without conceding that its merchandise is even confusingly similar, Able Time recognizes that there is a genuine issue of material fact on this question. The Ninth Circuit did not need to create bad law in order to serve the policy goals underlying the Tariff Act (*viz.* protecting the public).

5. Respondent's argument that the Court should not grant certiorari because of the interlocutory posture of this case should be rejected.

Respondent's theory that Able Time may yet prevail on alternate grounds is illusory. The only task left for the district court is to compare the similarity of the two marks. Because that court is bound to follow the Ninth Circuit's decision, it can no longer consider the type of merchandise on which the mark appears as relevant to its inquiry. In other words, it must compare "TOMMY" as it appears on the watches with "TOMMY" as it appears on the registration certificate (which the U.S. Patent and Trademark Office ("PTO") issued only in conjunction with a different class of merchandise) without reference to context. As noted, the "TOMMY" mark at

issue is comprised of the word alone – style, color and distinguishing artwork are not features of the mark. The outcome will be a rubber stamp judgment in favor of Respondent.

Likewise, a second appeal to the Ninth Circuit will be futile. Even if it wished to, another panel cannot reverse the Ninth Circuit decision. Only an *en banc* court can vacate and overturn a panel decision, see, e.g., *Kyocera Corp. v. Prudential-Bache T Servs.*, 341 F.3d 987, 995 (9th Cir. 2003), and as Respondent knows full well, the Ninth Circuit denied Able Time's request for a rehearing *en banc*. There is no reason to believe it will subsequently change its mind on the same issue involving the same facts.

Furthermore, Customs' original seizure case against Able Time was initiated a full decade ago. Due in large part to Respondent's *own* appeals, the case is still ongoing. Justice is long overdue.

Finally, the importance of this case justifies granting certiorari. The gravamen of Respondent's opposition is that Able Time's conduct was "exploitative" (Opp'n Br. at 14-15.), a charge that is nowhere supported in the record. Before the Ninth Circuit, Respondent urged – without any support – that Able Time is a bad actor and should be punished. The Ninth Circuit ostensibly concurred.

Achieving the punitive outcome sought has far-reaching consequences, however. Whatever Able Time's motivation, the Ninth Circuit had no justification for turning more than a century of

trademark law on its head, an action that is likely to throw the federal system into a state of confusion whenever courts, quasi-judicial bodies (such as the U.S. International Trade Commission ("ITC")) or agencies (such as the PTO and, especially, Customs) are asked to rule on trademark matters.⁷ The reality is that a legal system based on the rule of law would not survive if courts were to make up *ad hoc* rules to accomplish particular results in particular cases. Assuming *arguendo* that Respondent's characterization of Able Time is accurate, the specter of this brand of chaos is much worse than the "escape" of one alleged violator — especially when the government's loss is due to its own conduct (*see supra* Introduction).

Lawmaking should be left to legislators. Nonetheless, if this age of jurisprudence calls for a paradigm shift in *interpreting* U.S. intellectual property law, where there is an overwhelming need for uniformity because of the importance to domestic and foreign commerce, only this Court, the highest court in the nation, should endeavor such an undertaking.

⁷ Although the Ninth Circuit decision will inexorably create an alternate universe of trademark law for *imports*, conceivably, there is the potential for spillover effects in infringement suits involving *domestic goods* as well. As the Able Time decision has already been on the books as good law for almost a year, the possible collateral damage may yet be grave indeed.

CONCLUSION

For the foregoing reasons, Respondent's opposition lacks merit and the Writ of Certiorari should be granted.

Dated June 3, 2009

Respectfully submitted,

STEIN SHOSTAK SHOSTAK
POLLACK & O'HARA, LLP

BRUCE N. SHULMAN
Counsel of Record

ELON A. POLLACK
JULI C. SCHWARTZ

Attorneys for Petitioner